



INFORMATION DOCUMENT

with a view to the admission of all 24 016 104 Ordinary Shares outstanding of the company iervolino & Lady Bacardi S.P.A. on Euronext Growth Paris according to the method of Direct Admission.

Euronext Growth is a market operated by Euronext. Companies on Euronext Growth, a multilateral trading facility (MTF), are not subject to the same rules as companies on a Regulated Market (a main market). Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on Euronext Growth may therefore be higher than investing in a company on a Regulated Market. Investors should take this into account when making investment decisions.

The present Information Document does not constitute a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, , and repealing Directive 2003/71. The present Information Document has been drawn up under the responsibility of the Issuer. It has been reviewed by the Listing Sponsor and has been subject to an appropriate review of its completeness, consistency and comprehensibility by Euronext.

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DEFINITIONS

Below is a list of the definitions and terms used in this document. Unless otherwise specified, these definitions and terms have the meaning indicated below.

Admission	refers to the admission of the Shares to trading on Euronext Growth.
AIM Italia	refers to the multilateral trading facility called AIM Italia, organised and managed by Borsa Italiana S.p.A.
AMBI or Ambi Distribution	refers to Ambi Distribution Corp., with registered office in California, United States of America, at no. 9454 by Wilshire Blvd, Suite M-16, Beverly Hills.
Articles of Association or Company Articles of Association	refers to the Issuer's Articles of Association in force at the date of this Information Document and available on the Company's website.
Auditing Firm	refers to Ernst & Young S.p.A., based in Rome, at Via Po 32.
Board of Directors	refers to the Issuer's Board of Directors.
Board of Statutory Auditors	refers to the Issuer's Board of Statutory Auditors.
Borsa Italia	refers to Borsa Italiana S.p.A., with registered office in Milan, Piazza degli Affari n. 6.
EBIT	means the result before financial charges and taxes for the year. EBIT therefore represents the result of operations before the remuneration of both third party and own capital. The EBIT thus defined represents the indicator used by the Issuer's administrators to monitor and evaluate the operational performance of the business. Given that EBIT is not identified as an accounting measure under national accounting standards, it should not be considered an alternative measure for evaluating the performance of the Issuer's operating results. Given that the breakdown of EBIT is not regulated by the reference accounting standards, the determination criteria applied by the Company may not be homogeneous with that adopted by other companies and therefore not be comparable with them

EBITDA	refers to an alternative performance indicator used by the management of the company to monitor and evaluate the operating performance of the same, as it is not influenced by the volatility due to the effects of the different criteria for determining the taxable income, the amount and characteristics of the capital employed as well as the related depreciation policies. This indicator is defined for the Company as Profit/(Loss) for the period before depreciation and amortization of tangible and intangible fixed assets, financial income and charges and income taxes. Given that the breakdown of EBITDA is not regulated by the reference accounting standards, the determination criteria applied by the Company may not be homogeneous with that adopted by other companies and therefore not be comparable with them
EBT	refers to an alternative performance indicator used by the management of the company to monitor and evaluate the operating performance of the same, as it is not influenced by the volatility due to the effects of the different criteria for determining the taxable income, the amount and characteristics of the capital employed as well as the related depreciation policies. This indicator is defined for the Company as Profit/(Loss) for the period before income taxes. Given that the breakdown of EBT is not regulated by the reference accounting standards, the determination criteria applied by the Company may not be homogeneous with that adopted by other companies and therefore not be comparable with them
Euronext	Refers to Euronext Paris, 14 place des Reflets, 92400 Courbevoie
IA Media	refers to IA Media S.A., with registered office in Luxembourg, Boulevard de la Foire, n. 2.
IAP or alternative performance indicators	refers to the alternative financial and non-financial performance indicators, as defined by Article 17 of the ESMA Guidelines on Alternative Performance Measures dated 5 October 2015, i.e., the financial indicators of historical or future financial performance, financial position or cash flows, other than a financial indicator defined or specified in the rules applicable to financial reporting. Net Working Capital, Net Invested Capital, EBITDA, EBIT, EBT and Net Financial Position.

IAS/IFRS	refers to all International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretation Committee (IFRIC), previously called the Standing Interpretation Committee (SIC) and adopted by the European Commission pursuant to EC Regulation No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002.
Initial Public Offer or IPO	refers to public purchase or exchange offers as defined by Article 1, paragraph 1, section (v), of the TUF and, more specifically, to the Issuer's Ordinary Shares first admission to trading on AIM Italia on 5 August 2019
Issuer or Company or ILBE or ILBE SPA	refers to Iervolino Entertainment S.p.A., with registered office in Rome, Via Barberini, 29, registration number in the Register of Companies of Rome, tax code and VAT number: 11636381003, Economic and Administrative Index No. RM - 1318599.
Lock-Up Agreements	refers to the lock-up agreements signed between the IPO's Global Coordinator and the Nomad, at the time of IPO on the one hand, and the Company, IA Media and MB Media, with which the latter have assumed, upon signing the placement agreement, the obligations not to issue new shares and not to have ownership shares for a period of 12 months for the Company and 36 months for MB Media and IA Media. The agreement is thus terminated concerning the Company as at the date of this Information Document. In January 2021, the Global Coordinator and the Nomad gave their assent to the possibility for MB Media to sell 20% of the shares before the expiry of the three-year period.
MB Media	refers to MB Media S.A., with registered office in Luxembourg, Boulevard de la Foire, n. 2.
MIBAC	refers to the Italian Ministry for Cultural Heritage and Activities.
Monte Titoli	refers to Monte Titoli S.p.A., with registered office in Milan, Piazza degli Affari, n. 6.
Multiple Voting Shares	refers to the total no. of 11 000 000 special shares of the Issuer as at the date of this Information Document, without indication of nominal value, which give the right to 3 votes in the ordinary and extraordinary meetings of the Company having the characteristics indicated in Article 6 of the Issuer's Articles of Association.

Ordinary Shares refers to the 24 016 104 ordinary shares of the Issuer as at the date of the Information Document, without indication of nominal value and with regular entitlement.

Shareholders' Meeting refers to the Issuer's shareholders' meeting.

TaTaTu Enterprises refers to TaTaTu Enterprises Ltd., a company based in 11 Old Parham Road St. John's, Antigua and Barbuda, which manages the video platform for the use of Audiovisual Works by users.

GLOSSARY

Below is a list of the terms used in this document which, unless otherwise specified, have the meaning indicated below.

Advertising	indicates any form of paid communication that is commissioned by a subject to disseminate its offer of ideas and products through the media and to influence the public's choices regarding a given consumer good.
Audiovisual Work	refers to Cinematographic Works, TV Series, Web Series and any other media that associates sound reproduction with viewing images.
Backend	refers to the portion of the proceeds resulting from the marketing of the Rights that the distributor or licensee of the Rights undertakes to pay to the holder of the Rights, equal to the percentage deducted in the contract of the total proceeds deriving from the marketing of the Rights minus the amount of the Minimum Guaranteed Advances and the marketing fees and expenses incurred by the Distributor or Licensee.
Digital Advertising	indicates any advertising action conveyed through digital communication channels.
Digital Platform	refers to hardware or software infrastructure that provides technological services and tools, programs and applications, for the distribution, management and creation of free or paid digital content and services, including through the integration of multiple media (integrated digital platform).
Film Commission	refers to the authorities constituted by the Regions, in the form of an institution or foundation, to attract - through the granting of contributions to producers - the realization of Audiovisual productions within their own territory, in order to promote and enhance it.
Film Script	refers to the literary description of the environments, the succession of narrative events and the drafting of the dialogues of an Audiovisual Work or a Film.
Guaranteed Minimum	refers to the fixed component to be paid partly in advance (usually 20%) and partly in balance (usually equal to the remaining 80%), provided for in the contracts for the acquisition of the Rights on Cinematographic Works.

Intellectual Property	refers to the intellectual property rights over the subject, the script, the characters, the literary work or other artistic works, which the Issuer acquires to realize an Audiovisual Work.
International Standing Production	refers to the production or co-production of an Audiovisual Work which, due to the characteristics of the cast, the subject, the screenplay, the director and/or budget, is destined for distribution on the international market.
Library	refers to the set of Audiovisual Works the Rights of which a subject is the owner, both as a result of their production or co-production and for having purchased or licensed the Rights.
Licensors	refers to the sales agents or producers and holders of rights to exploit audiovisual works that grant the Issuer the distribution of their products.
P&A	refers to “printing and advertising” and includes the promotional-advertising activities aimed at the cinematic launch, carried out by the Company in the moment before the cinematic release of the films.
Rights	refers to all rights of economic exploitation of Audiovisual Works, including Cinematographic, Adaptation, Merchandising, Dubbing, Publishing, Multimedia, Music, Television, Video, Electronic Rental, New Media, SVOD, Video on Demand rights and any other rights of exploitation of Audiovisual Works known today or developed in the future.
Sales Agent	indicates the subjects who acquire the Rights for their international distribution from producers and co-producers, typically in the phase of realization of the Audiovisual Work, by financing the production or paying Guaranteed Minimums as an advance of future proceeds deriving from the marketing of the Rights on the Audiovisual Works. In turn, the Sales Agents license the Rights on Audiovisual Works to local distributors, who exploit them in individual countries.
Service	refers to the activity of consultancy and assistance in the filming carried out on behalf of the producer and or of the co-producers in the context of a production of Audiovisual Works.

SVOD	refers to any TV broadcast, in Encoded Form, that can be used on a periodic basis exclusively against the conclusion of subscriptions that provide for the payment of a fee for viewing several programs, individually or as part of a service/channel, that can be used upon individual request from the place and at the time chosen individually.
Tax Credit or Cinema Tax Credit	refers to the set of financial concessions for the cinema sector governed by Law no. 244/2007 and related implementing provisions.
TV broadcasting	refers to any use of Cinematographic Works that falls within the notion of communication of works to the public provided for in Article 3.1 of Directive 2001/29/EC, according to which “ <i>the Member States grant the authors the exclusive right to authorise or prohibit any communication to the public, be it via wire or wireless, of their works, including making their works available to the public in such a way that everyone can have access to them from the place and time chosen individually.</i> ” Therefore, any broadcasting that occurs with the use of IPTV, DVB-H, UMTS or via the Internet technologies, whether directed to a present audience or to a distant audience, constitutes a TV broadcast.
TV Series or Series	refers to an Audiovisual Work created for television broadcasting, typically structured in several episodes, generally lasting about an hour.
Web Series	refers to a film series, be it fictional or fantasy-based, designed and created to be broadcast online in episodes or episodes.

1. PERSON RESPONSIBLE FOR THE INFORMATION DOCUMENT

The present Information Document has been drawn up under the responsibility of the Issuer. It has been reviewed by the Listing Sponsor and has been subject to an appropriate review of its completeness, consistency and comprehensibility by Euronext.

I, Andrea Iervolino, declare that, to the best of my knowledge, the information provided for in the Information Document is fair and accurate and that, to the best of my knowledge, the Information Document is not subject to any material omissions, and that all relevant information is included in the Information Document.

Andrea Iervolino

Chairman and CEO

Iervolino e Lady Bacardi Entertainment S.P.A.

Rome, made on 03/01/2022

2. STATUTORY AUDITORS

2.1 Statutory auditors of the Issuer

On 22 March 2019, the ordinary shareholders' meeting of the Company granted the Independent Auditors the mandate for the statutory audit of the financial statements for the three-year period 2019, 2020 and 2021, pursuant to Article 13 of Legislative Decree 39/2010¹. This assignment provides for the release by the Independent Auditors of an "opinion" on each financial statement of the Company pursuant to Article 14 of Legislative Decree 39/2010 and on the half-year report.

Since financial year 2020, the Company publishes consolidated financial statements.

The Company's financial statements as at 31 December 2020 were prepared in compliance with the International Financial Reporting Standards adopted by the European Union and were approved by the Issuer's Shareholders' Meeting on 19 April 2021. The 2021 half-year report as at June, 30th 2021 was approved of by the General Meeting of the company on September, 23rd 2021 and published on the same day.

The financial statements and the consolidated financial statements of the Company as at 31 December 2020 were also subject to legal auditing by the auditing company EY S.p.A. (the "Independent Auditors"), which issued an independent auditor's report on 1 April 2021.

2.2 Information on relations with the Independent Auditors

As from the date of incorporation of the Issuer and until the date of the present Information Document, there has been no revocation of the appointment of the Independent Auditors by the Issuer, nor have the Independent Auditors denounced their appointment.

¹ Under Italian law.

3. SELECTED FINANCIAL INFORMATION

The following developments briefly present and comment the Issuer's last financial reports available. For full details, please see last financial consolidated audited statement as at 31 December 2020² and the last half-year consolidated financial report as at 30 June 2021 reproduced at the end of this Information Document.³

3.1 P&L

3.1.1 P&L at FY close 2019 vs 2020

EUR mn	31/12/2019	31/12/2020	Change in %
Sale of Rights	64,2	84,8	32%
Services	-	9,3	-
Backend	-	8,6	-
Ancillary	2,0	2,9	45%
Others	0,2	0,8	300%
Value of Production	66,4	106,4	60%
Government Grants	13,6	14,3	5%
Revenues	80,0	120,7	51%
Operating Costs	(4,6)	(8,3)	80%
D&A	(52,7)	(89,6)	70%
Accruals	-	-	-
EBIT	22,6	22,8	1%
EBIT Margin	28%	19%	(33%)
Financial Charges	(0,2)	(0,6)	200%
Others	-	(0,8)	-
EBT	22,4	21,4	(5%)
Taxes	(2,1)	(1,9)	(9%)
Net Profit	20,3	19,5	(4%)

Events of particular importance relating to the Issuer's P&L during FY 2019 were the following:

- Release of the film *Waiting for the Barbarians*;
- The filming and collection of Guaranteed Minimums and tax credits for *Tell it Like a Woman*;

² Please see said statement attached under section 9 of this Information Document.

³ Please see said report attached under section 10 of this Information Document.

- The production of 35 episodes of the series *Arctic Friends* and 20 episodes of the series.

Events of particular importance relating to the Issuer's P&L during FY 2020 were the following:

- The production of two films: *Eddie & Sunny* and *Tell it Like a Woman* (continued) and their related sales of rights in consideration for Guaranteed Minimums and the collection of associated tax credits;
- The production of 72 more episodes of *Arctic Friends* and 50 more episodes of *Puffins*.

3.1.2 P&L at HY 2020 vs. 2021

EUR mn	30/06/2020	30/06/2021	Change in %
Revenues	55.5	114.2	>100%
Operating costs	1.6	4.4	>100%
Personnel	0.3	1.8	>100%
EBIT	12.2	15.9	31%
EBIT margin	22%	14%	-8%
Non-recurring charges	0.2	0.9	>100%
EBIT net of non-recurring charges	12.0	15.0	25%
Net financial expenses	0.4	1.9	>100%
Earnings before tax	11.6	13.1	13%
Net profit	9.6	12.3	29%

2021 Half-year financial report shows a spectacular increase in revenues due to the production of many episodes of *Arctic Friends* and corresponding sales of rights amounting to €42.4m, while episodes of *Puffins* brought about €22.5m in sales of rights. It is worth noting that the R&D activity of the Issuer in its Pipeline technology started to generate revenues via sales of rights in H1 2021 up to an amount of €22.9m. The Issuer also generated €7.0mn revenues in H1 2021 thanks to mainly services provision on the production of the series *Puffins: Impossible*.

3.2 Balance Sheet highlights 2019 vs 2020

EUR mn	31/12/2019	31/12/2020
Intangible assets	49.2	68.1
Trademark	-	0.4
Goodwill	-	0.1
Tangible assets	-	0.2

Deferred tax assets	3.8	6.3
Equity investments recognized with the equity method	-	-
Other non-current assets	0.2	2.3
Total non-current assets	53.2	77.3
Trade receivables	20.2	16.8
Tax receivables	21.6	21.7
Current financial asset (investment funds)	-	4.3
Other current assets	0.2	6.4
Cash and cash equivalents	8.0	3.5
Total current assets	49.9	52.7
Total Assets	103.1	130.1
Shareholders' equity	47.6	67.0
Employee benefits	-	0.2
Deferred tax liabilities	-	0.1
Provisions for risks and charges	0.3	0.3
Non-current financial liabilities	1.0	18.1
Total non-current liabilities	1.4	18.7
Current financial liabilities	7.5	5.4
Trade payables	26.4	25.3
Tax payables	2.2	1.6
Contractual liabilities	10.6	3.0
Other current liabilities	7.4	9.0
Total current liabilities	54.0	44.3
Total liabilities	103.1	130.1

Please note that the financial statements as at 31/12/2020 are the first consolidated financial statements prepared by the Issuer and that 2019 figures were for Iervolino Entertainment alone.

The increase in intangible assets is due to both the capitalization of finished productions (*the Poison Rose, Arctic Friends, Puffins, etc.*) and the acquisition of IP rights for both distribution rights in Italy and later film production.

The increase in shareholders' equity is due to carried forward profits and to capital increases carried out on occasion of: the acquisition of Red Carpet S.r.l. and Arte Video S.r.l., as well as to the mandatory conversion of a bond loan.

The increase in non-current financial liabilities is due to the underwriting of term loans for about €10m over FY 2020 and of a Basket bond worth €7.8m at 31/12/2020. Further details on debt are to be found below under the section Net financial position.

The decrease in current financial liabilities is due to the reimbursement of short-term loans, replaced by the above-mentioned mid-term loans.

3.3 Debt and Net Financial Position at 30/06/2021

The below chart sums up the change in debt between 31/12/2020 and 30/06/2021:

EUR mn	30/06/2021	31/12/2020
Mediocredito	-	0.8
Intesa Sanpaolo	2.1	4.1
Intesa Sanpaolo	2.5	5.5
Intesa Sanpaolo	7.8	7.8
Unicredit	3.0	-
Banca IFIS	3.0	-
Banca Progetto	0,8	-
Long term debt	19.2	18.2
Banca Progetto	0,2	0.2
Credit facilities	4.5	4.5
Credit Facilities	0.5	0.5
Short term debt	5.2	5.2

The below chart presents the Issuer's Net Financial Position at 30/06/2021:

EUR mn	30/06/2021	31/12/2020
Cash and cash equivalents	(2.347)	(3.513)
Financial assets	(4.419)	(4.348)
Debt	24.099	23.487
Net debt	17.333	15.626

4. RISK FACTORS

Investing in the Issuer's shares presents risks generally associated with an investment in equity securities. More specifically, and considering the specific features of the business sector in which the Issuer operates and the potential associated risks typical of this sector, investing in the Issuer's shares must be considered in line with the typical profile of investors oriented towards investments with a medium-high level of risk. It should therefore be regarded as intended for experienced investors, able to assess the specific characteristics of the Issuer's business and the riskiness of the proposed investment.

Investing in the Shares involves a moderate to high degree of risk and presents the typical risk elements of an investment in financial instruments traded on multilateral trading facilities such as Euronext Growth Paris and Euronext Growth Milan, where the Shares trade. Potential investors in the Shares should thus notably take into account the fact that this Information Document has not been reviewed by the AMF (*Autorité des Marchés Financiers*).

In order to make a correct assessment of the investment, investors are requested to assess the specific risk factors relating to the Issuer, to the business sectors in which it operates and to the Shares themselves, notably by carefully reading what follows in the present section.

The occurrence of one or more of the circumstances described in the following risk factors could adversely affect the business operation, the economic and the financial positions of the Issuer. These potential adverse effects on the Issuer and, thereby on the Shares, could also occur if unforeseen, non-anticipated events were to occur, such as to potentially expose the Issuer to further risks or uncertainties or if the risk factors currently considered insignificant become significant due to supervening circumstances.

The risk factors described under this Section, "Risk Factors", must be read together with all information contained in the present Information Document.

4.1 Risk factors relating to the Issuer

4.1.1 Risks associated with the dependency on key people

The Issuer's operations and business development significantly depend on some key people amongst its management, and in particular on the person of Andrea Iervolino, Chairman and CEO and on one of the reference shareholders: Lady Monika Bacardi. Andrea Iervolino indeed has a decisive role, due to his experience, know-how, professional network and personal skills. Lady Monika Bacardi, though not an executive member of the board of directors, presents a similar profile. Both people thus have a seminal importance for the development and growth of the Issuer's core businesses in the field of media content productions of international standing.

The loss of the professional contribution of the Chairman or other key figures of the Issuer or the inability to attract, train and retain further qualified staff, could determine a reduction in the Issuer's competitive capacity, conditioning the expected growth objectives, with significant negative repercussions on the economic, equity and financial situation of the Issuer and on its prospects.

One should note that both reference shareholders and main key-people have an important stake in the Company's equity, notably secured by partial lock-up agreements and Multiple

Voting Shares held by the Chairman and CEO that are not listed⁴. Therefore, the risk relating to their disengagement with the Company can be estimated as very low.

For further information, please refer to Section 5 of the Information Document.

4.1.2 Risks associated with the film production and digital advertising sectors

Although it has been operating since 2011 and has already carried out the distribution of Audiovisual Works in Italy, the Issuer has focused on International Standing Productions only since 2018. Therefore, the Issuer has a limited operational history in this sector, although its key figures have gained many years of experience in film productions. It should be noted that the Issuer achieved reputable successes on said international market with productions like *Waiting for the Barbarians* and *Tell it like a Woman*.

Furthermore, the Company only started its activity in the Digital Advertising sector in 2019, including some key figures with consolidated experience in this business area in its organization chart.

Therefore, in consideration of the limited operational history and the limited availability of historical financial information on the basis of which to evaluate the management performance, it is also less easy to assess the ability of the Issuer's management to pursue the proposed objectives, at least with reference to the specific sectors indicated above. As at the date of this Information Document, revenues flowing from the Digital Advertising branch of the Issuer is still marginal where compared of total revenues of the Issuer.⁵

Finally, the recent operational history of the Issuer is characterized by a rapid economic and financial growth. However, the growth rates obtained in the past should not be considered indicative of future results. Furthermore, there are no guarantees that the future growth objectives will actually be achieved, also in light of the fact that the Issuer will have to face the risks and difficulties typical, in fact, of companies with a recent operating history, with possible consequent negative effects on the economic, equity and financial situation of the Issuer.

The Company's pipeline on years to come⁶ however mitigates this risk in the short to medium term. Besides, the Company, thanks to the experience, know-how and relations of its key people, strives to keep in touch with today's trends and so far managed to develop IPs and produce successful Audiovisual Works starring a cast that attract viewers internationally. Therefore, the risk associated with the Audiovisual Work production operations should be qualitatively considered as medium. As far as digital advertising is concerned and since it only represents a marginal contribution to the Company's revenue, the risk of occurrence might be medium to high but its impact on the Company's revenues is rather low.

4.1.3 Risks associated with the production and co-production activities

The production of Audiovisual Works is a complex process, which requires significant investments and is also subject to a series of uncertainties that include possible delays/interruptions in the completion of the project due to force majeure events including: availability of time of directors and actors, creative differences between cast members and staff, illness, disability or death of central cast artists, technical complications with special effects or other aspects of production, lack of necessary equipment, damage to material shot, technical problems in post -production, as well as adverse weather conditions. The occurrence

⁴ Please see section 7 below.

⁵ For further details, please see section 5 of the present Information Document.

⁶ Please see section 5 below.

of the COVID19 pandemic is to be categorized amongst these *force majeure* events adversely affecting part of the production and co-production activities.⁷

These events may significantly affect the realization of the Audiovisual Works or significantly slow down their completion, with possible increases in estimated production costs, even significant ones. Furthermore, as a result of these events, it is possible that the productions or co-productions end in an accounting period other than that in which their completion was first estimated, with potential significant impacts on the results for the period.

Based on the business model adopted by the Issuer, this latter starts the production of an Audiovisual Works only after having ensured the collection of financial resources from third parties. Said resources notably result from advances made by distributors (Guaranteed Minimums) and other forms of incentives typical of the industry such as state contributions from and regional contributions from Film Commissions. Other pre-contractual forms of revenues are mobilized to cover all estimated costs, it being understood that these advances and other forms of financing are then partially paid by instalment based on the state of progress of the productions.

Guaranteed Minimums represent an advance on the proceeds resulting from the exploitation of the Rights that are normally paid by international Sales Agents, local distributors, television broadcasters and/or Digital Platforms to producers against the conclusion of license agreements for the exploitation of Rights in the initial phase of the production process (presale), based on the commercial potential of the Audiovisual Works. The amount of the Guaranteed Minimums that the aforementioned subjects offer to producers is usually defined thereby based on the characteristics of the project in terms of cast, subject, screenplay, directors, music track and other artistic components of the works and normally the producer organizes a competitive process amongst potential bidders, in order to maximize the Guaranteed Minimums. The Company has obtained Guaranteed Minimums mainly from Sales Agents and Digital Platforms for the productions carried out and in progress and believes that also in the future it will mainly address these subjects to obtain the Guaranteed Minimums. It cannot be ruled out that, in the future, the Issuer will not be able to obtain Guaranteed Minimums for amounts, in percentage terms, on the overall financing of the productions, similar to those obtained for the productions made so far and those in progress, due to (i) a lower quality perceived by the subjects who provide the Guaranteed Minimums with respect to their future productions; or (ii) in general, due to changes in the market, including as a result of the consolidation of or decrease in market players. Should this occur, the Issuer could have difficulty in starting or continuing new productions, with detrimental consequences on the economic, equity and financial situation of the Company.

Furthermore, should the production of the Audiovisual Works require a significantly greater investment than the budgeted one, it may be necessary to seek additional financial resources for the completion of the project. The procurement of said additional financial resources may not be available in sufficient quantity to complete the production of the Audiovisual Works, with the risk of abandoning production thereof, or it may be available only at disadvantageous conditions with detrimental consequences on the economic and financial situation of the Company.

The prejudicial consequences linked to the occurrence, in international productions and co-productions, of events capable of causing a delay or interruption of production are partially mitigated through the subscription by the Company of the so-called completion bond. The completion bond is an insurance contract that is widespread in foreign jurisdictions signed by

⁷ For further details on the impact of COVID 19, please see section 4.2.3. of the this Information Document.

the producer or co-producer with a company specializing in the issuance of this type of guarantee (completion guarantor company) thanks to which the producer/co-producer guarantees the subjects who have contributed to the coverage of the production costs of the Film or TV Series estimated in the budget against the risk that the film will not be completed or delivered to distributors in compliance with the scheduled deadline. As regards the Company's productions, the completion bond was used for *The Poison Rose*. Net of these mitigation measures, the risk relating to production and co-production in terms of their financing facing unexpected events can be considered as medium to high but has to be placed in the context of several productions made at the same time that are not intended for the same distribution channel. Thus if one project suffers from delays and over-costs, it is likely that it will impact only part of the Company's expected revenues.

For further information, please refer to Section 5 this Information Document.

4.1.4 Risks associated with the evolution of the national regulatory framework relating to the cinema sector

As part of its production activity, the Company makes use of the tax concessions provided in Italy for the cinema sector - known as (i) Tax Credit, (ii) state contributions and bonuses and (iii) regional contributions for the cinema sector, which play an important role in the production and distribution chain of the sector.

(i) Tax concessions provided for the cinema sector - the Tax Credit

The Tax Credit supports the activity of film production, co-production and distribution and constitutes an important element for companies operating in the Italian film sector and is governed, in Italy mainly by the Franceschini Law and by Ministerial Decree dated 15 March 2018, which implement it.

In order to benefit from these concessions, applicants and productions must possess the requisites required by the sector regulations, which tend to be amount to the attribution of Italian nationality to the Audiovisual Work in question.

The provisions adopted from time to time could reduce the maximum amount of the Tax Credit envisaged by the existing legislation per tax period, which production companies can benefit from following the distribution of the total amount of contribution for the sector set for each year namely, eliminating this allowance. Furthermore, there may be delays in the recognition of the Tax Credit by the MIBAC. All of these circumstances could have negative effects on the operations and profitability of the Company's business.

(ii) State and regional contributions for the cinema sector

State and regional contributions are aimed at supporting audiovisual productions made in Italy or in specific Italian regions.

The regulations relating to the contributions envisaged for each individual Region are governed by regional laws and implementing measures.

The Company has, in the past, benefited from government grants. Any change in the state or regional legislation on contributions or the failure of the Regions to issue the relative calls for tenders or the requisites required to benefit from these contributions with respect to what was foreseen in the past, as well as delays in disbursement, do not fall within the Issuer's control and could have negative effects on the profitability of the Company's business.

In any case, it should be noted that the Company has adopted an operating model that provides for the ability to develop production at a global level, partly through the establishment

of corporate vehicles in the geographies considered to be of greatest interest, with the consequent possibility of being able to benefit from tax benefits and incentives reserved for the cinema and entertainment sectors in various countries. Therefore, the Company believes that it will be able to relocate its activities within a reasonable time to take advantage of these facilities in other States, where the Tax Credit or the incentives for cinema provided in Italy are no longer valid or significantly reduced.

The Company's business model allows for self-reduction of these risks: as it is agile enough to choose where to produce at an international level to seek contributions, potential change in the legislation and/or regulation in a given jurisdiction can be compensated by carrying out productions in another one. Furthermore, the current existing trend in the European Union, consisting in helping locally produced content facing Platforms⁸ seems well installed for the years to come. The Company therefore considers that this risk can be regarded as low to medium.

4.1.5 Risks associated with public satisfaction and the editorial interest of television broadcasters and digital platforms

The success of the Issuer's business depends on the ability to produce or co-produce Audiovisual Works that are appreciated by the public and the editorial interest of the television broadcasters and Digital Platforms to which these products will be offered.

When selecting the Audiovisual Works to be produced or co-produced, the Company makes estimates regarding their potential commercial success based on factors related to the artistic characteristics of the work (such as the popularity of the concept, the quality of the subject and/or the script, the notoriety and professional skills of the director and the cast, the qualities of the co-producers and the budget of the film) and on the basis of independent subjective evaluations, based on his own experience and on that of his key figures (and, specifically, of Andrea Iervolino) as well as on the knowledge and analysis of industry trends and market conditions. Nevertheless, the success of an Audiovisual Work with the public or the interest of television broadcasters and Digital Platforms could be, even significantly, lower than that expected on the basis of these assessments.

Furthermore, although the Company intends to focus its productions on cultural content and attentive to human values, on animation and on content suitable for the young audience of Digital Platforms, it is not possible to exclude that part of the public receives said contents produced by the Company as contrary to their values, with possible negative repercussions on the Issuer's reputation.

The aforementioned circumstances could determine the failure or partial return on investments or a difficulty for the Company to market its products, with detrimental effects on the economic, financial and equity situation of the Company and on the implementation of its business plan. To mitigate this risk, the Company relies on the skills and experience of its executives and on those of its management team, comprised of professionals well aware of trends.⁹ This risk can be assessed as medium.

4.1.6 Risks associated with the implementation of the Issuer's strategy

The Company's strategy is essentially based, as regards the film production activity, on:

- the focus on the production of quality IPs with a potential for perpetual exploitation;

⁸ Please see Section 5 below.

⁹ Please see Section 5 below.

- the realization of International Standing Film Productions and animated Web Series;
- the co-production of films with players of international standing;
- the marketing, in favorable terms, of the existing Library and of that under construction.

Furthermore, in the Digital Advertising sector, the Company intends to focus its activities on advertising aimed at end users and on premium advertising content, with an offer structured by vertical channels.

In order to achieve these strategic objectives, the Company intends, in the future, mainly to:

- obtain the rights for the realization of Audiovisual Works on quality Intellectual Property (subjects, scripts, rights to characters from animated series, prequel or sequel rights, etc.), which can give content and prestige to their productions and make them attractive for internationally renowned actors and directors;
- consolidate relationships with internationally renowned actors and directors, through the conclusion of contracts, including long-term contracts, to ensure their performance in the context of their productions;
- open an office in Los Angeles, enabling the Issuer to have a direct presence in the main world cinema market and to be able to further consolidate relations with actors and directors, also being able to be constantly updated on the main market developments;
- create and consolidate relationships with international advertising agencies in order to increase advertising sales for the platform for which it currently mainly operates and, where the opportunity arises, to increase its clientele.

The achievement of these strategic objectives depends, inter alia, on the Company's ability to: (a) obtain the rights of film adaptation of intellectual works or screenplays suitable for the realization of Productions of International Standing; (b) establish and maintain favorable relationships with internationally renowned actors, screenwriters, directors and film producers and American film artists' unions, such as the WGA, DGA and SAG; (c) find adequate sources of financing for the production of films; (d) conclude favorable agreements for the management of advertising on digital platforms with high levels of users. Furthermore, the achievement of the strategic objectives set by the Company depends on factors of non-direct control thereof, such as, for example: (i) the frequent attendance of cinemas by the public; (ii) the strategies and methods for procuring the Television and New Media Rights; (iii) the evolution of the legislation on Cinema Tax Credit and R&D Tax Credit and (iv) the general level of investments and public incentives in the sector. Failure to achieve one or more of the strategic objectives specified above or failure to adapt its strategy to unfavorable changes or evolutions of the aforementioned factors could have negative repercussions, even significant ones, on the economic, financial and equity situation of the Company. Though the Company tackles this risk by hiring experienced professionals and by relying on synergies between its different business lines (i.e. leveraging celebrity management), this sector is highly competitive and highly fragmented. This risk can thus be assessed as substantial in terms of likelihood of materialization but rather low in terms of impact on the Company's revenues.

For further information, please refer to Section 5 of this Information Document.

4.1.7 Risks pertaining to contractual relations under foreign laws

As at the date of the Information Document, the Company has commercial relations with numerous international partners, actors, directors and screenwriters. The aforementioned

relationships may be regulated by contracts governed by laws other than Italian law, mostly by the law of the State of California. These contracts provide for specific cases of early termination of a conventional and legal nature based on the foreign law that governs them, also linked to compliance with certain conditions set out in the same contracts and regulate the resolution of any disputes through arbitration proceedings or referral to foreign courts with jurisdiction. In addition to the legal aspect, it is also necessary to consider the role of the trade unions of American performing artists, which frequently have a decisive weight in the negotiations and commercial relationships that the aforementioned subjects hold with the Company.

As at the date of the Information Document, the contracts concluded by the Issuer with international partners, governed by laws other than Italian law, have never resulted in any dispute and/or litigation, be it active or passive, nor has any form of suspension/termination/other form of early termination of commercial relations with these parties ever occurred. Furthermore, reputable law firms advise the Company.

However, it cannot be ruled out that, in the future, disputes of any nature may arise in relation to these contracts from which, given the relevance of the terms and commercial relationships underlying them, may result, even without notice, in the suspension for prolonged periods of time and/or the interruption of the services that bind the parties, or the need may arise for the Company to bear expenses and charges, even significant ones, in order to protect its rights through recourse to the aforementioned arbitrations and/or overseas judicial authorities. Should the circumstances described above actually materialize, there could be significant repercussions of an economic, financial and equity nature for the Company. This risk can thus be qualified as medium.

For further information, please refer to Section 5 of this Information Document.

4.1.8 Risks associated with foreign exchange rates

As at the Date the Information Document, the Issuer bears part of its costs in US Dollars (mainly, costs related to the acquisition of rights on concepts, subjects and scripts, fees for actors and directors, fees for the production and filming in countries other than Italy as well as the fees paid to animation studios) and receives part of the revenues in US Dollars (mainly, fees for the production and filming activities as well as fees for the sale or license of the Rights in Audiovisual Works).

The Company is therefore exposed to the risk of devaluation of the Euro against the US Dollar, for which, however, it did not consider it appropriate - as at the date of this Information Document - to set up hedging instruments, since this risk is significantly reduced by offsetting the costs incurred. in the same currency as the revenues.

However, in view of the fact that the Issuer draws up its financial statements in Euro, the Company's results for the period could be adversely affected in the event of fluctuations in exchange rates unfavorable to the Euro, as the Company may have to bear greater costs with respect to contractual commitments already undertaken in US Dollars not adequately offset by revenues in the same currency, with possible negative repercussions on the economic, financial and equity situation of the Company. This risk is thus estimated at medium.

4.1.9 Risks associated with labor law

The Company is exposed to risks associated with the application of labor law to the employment relationships it maintains with its employees in the normal course of its business.

Furthermore, in carrying out its production and co-production activities, the Company makes use of fixed-term, flexible and intermittent subordinate workers as well as self-employment workers, governed by various regulations pertaining to entertainment workers. The specific features of the production of Audiovisual Works, in fact, make it necessary to employ a large number of people with various professional backgrounds (actors, directors, screenwriters, generics, technicians, costume designers, set designers, administrators, etc.) for a limited period of time, equal to the period necessary for the realization of the Audiovisual Work. This entails specific treatments for show business workers, such as, for example, the derogation from the maximum percentage of 20% of temporary workers with respect to permanent workers and the application of a specific discipline for self-employed show business workers (aimed at fixing distinctive criteria of this category and the related treatment) or for audiovisual film crews (aimed, for example, at reducing the periods that must elapse between two different completed jobs).

Although the Company, in using the typical types of employment contracts in the entertainment sector, operates in compliance with the legal requirements and whilst considering that, as at the date of the Information Document, even with respect to the existing relationships for the Advertising activity, there are no omissions and/or significant disputes have been found about these types by the labor authorities, the risk that the Company may in the future be exposed to sanctions, disputes, proceedings by social security and criminal courts/authorities, or to individual actions aimed at the requalification of the relationship by the individuals who have worked in favor thereof in the context of the typical types of the sector in which the Company operates.

The occurrence, in the future, of one or more of the circumstances described above could have negative effects on the Company's business and economic, equity and/or financial situation. Though conforming to practices generally recorded in its sector, the Company assess that the risk of occurrence of litigation with some temporary workers may be medium to high but the impact on results are likely to be low in case of materialization.

4.1.10 Risks associated with the innovation process undertaken by the Company in the animation sector

As part of the research and development activities and, specifically, that of so-called "business research", i.e., research aimed at process innovation, the Company started a project, as of financial year 2018 (entitled "Pipeline 0.1", now in its second version: "Pipeline 0.2") aimed at innovating in the production process in the field of animation, with the objective of improving the production process of short contents, both in qualitative and quantitative terms (production costs). To this end, Iervolino Entertainment has commissioned to the external supplier, Al Mashael Movies SPC, a Bahraini company that operates in product and process innovation in the production sector, the project for the study, design and research of innovative processes and processing methods (pipeline) for the production of short animation contents, relating to the Arctic Justice Web Series, lasting 5 minutes each, intended for use on Digital Platforms. For further details, please refer to section 5.2.8.

It cannot be ruled out that other animation production companies may achieve similar or better results than those envisaged for the Pipeline 0.2 project and that, therefore, it will no longer constitute a competitive advantage for the Issuer, though this latter assesses that it is not the case as at the date of this Information Document. The Company assesses this risk as Medium to High.

4.1.11 Risks associated with the reporting system

As at the date of this Information Document, the Company has implemented a management control system characterized by non-fully automated data collection and processing processes that will require development interventions consistent with the growth of the Issuer.

The Issuer therefore believes that the reporting system currently in operation at its premises is adequate, with respect to the size and business activity, so that the administrative body can formulate an appropriate opinion on the Issuer's net financial position and prospects, as well as so that it can correctly monitor revenues and margins for the main analysis dimensions in use.

The Company has resolved to launch a project aimed at identifying interventions to improve the reporting system used, through its progressive integration and automation, thus reducing the risk of error and increasing the timeliness of the information flow. Risks associated with the reporting system are deemed low by the Issuer.

4.1.12 Risks associated with the distribution of dividends

In view of the growth and development phase of the Company, the Issuer has adopted a dividend distribution policy which envisages reinvesting the profits in the Company, at least as regards the profits relating to the current year as at the date of the Information Document.

The amount of dividends that the Issuer decides to subsequently distribute shall depend, inter alia, on future revenues, its economic results, its financial situation, cash flows, needs in terms of net working capital, expenses capital and other factors. Therefore, the Company may decide in the future not to distribute dividends or to allocate only part of its profits to shareholders.

4.1.13 Important information regarding the positioning of the Issuer and statements regarding the evolution of the reference market in which the Company operates

This Information Document contains important information relating to the competitive positioning of the Company, based on estimates, market assessments and comparisons with competing operators formulated, unless otherwise specified, directly by the Issuer on the basis of its experience, specific knowledge of the sector of which it belongs and processing of data available on the market that have not been subjected to independent verification.

The trend of the sector in which the Company operates could be different from that described on the basis of such data due to known and unknown risks, uncertainties and other factors set out, inter alia, in these risk factors and in general in the Information Document.

4.1.14 Interest rate risk

The Group is exposed to marginal risks associated with the volatility of interest rates linked to loans. In fact, fixed-rate loans represented 41% of the total loans as at 31 December 2020. Variable-rate loans are all linked to the 3M Euribor, which is currently at historically low levels. For further information, please see accounts annexed at the end of this Information Document.

4.1.15 Liquidity risk

Risks relating to liquidity refer to the Company's ability to meet its short-term accrued payments.

Thanks to the business model of the Company according to which the vast majority of the costs spent are pre-financed via notably Guaranteed Minimums, the liquidity risk is limited. The

Company so far managed to finance short-term capital requirements successfully and maintains good relations with its banks. The likelihood of a liquidity risk's realization is therefore estimated as low.

4.1.16 Credit Risk

The Group does not have a significant concentration of credit risk, and has appropriate procedures, such as verifying the solvency of debtors through the analysis of their reliability on the market, to minimize credit risk.

The Company maintains a high level of attention, through monthly controls, on the exposures to its customers to identify the most critical positions. Where necessary, the bad debt provision is supplemented through a specific assessment of the individual positions to align trade receivables with their presumed realization value. This risk is estimated as medium.

4.1.17 Risks relating to litigation

As at the date of this Information Document, the Company is not part to any court proceedings.

4.2 Risk factors relating to the market in which the Issuer operate

4.2.1 Risks associated with technological evolutions in the media sector

The sectors in which the Company operates are characterized by a high level of competition and technological innovation as well as by the emergence of new competitors, some of which have significant economic and financial resources.

A further risk in the sectors in which the Company is active, associated with the high level of competition, is the ability of competitors to better interpret market trends (also) at lower costs than those incurred or sustainable by the Company.

Any difficulties of the Issuer in dealing with the typical competition of the sectors in which it operates could have negative repercussions on the economic, financial and equity situation of the Company.

4.2.2 Risks relating to film piracy

Film piracy is constantly evolving and the creation, transmission and sharing of high quality, unauthorized copies of films is made easier by technological progress.

Should the phenomenon of film piracy spread further without the adoption of technological or legal tools to protect rights relating to the exploitation of film products, it could have a negative impact on the estimated revenues of the Issuer.

In order to stem the phenomenon, the Company could be forced to implement new costly anti-piracy measures to protect its rights which could result in unforeseen expenses, or in a decrease in the anticipated revenues from the marketing of its Library, with consequent detrimental effects on the Company's economic and financial situation. Furthermore, given the constant technological evolution, it cannot be ensured that any new anti-piracy security measures adopted by the Company will be able to stem, in whole or in part, the phenomenon of piracy with reference to the contents produced thereby.

4.2.3 Risks relating to the COVID 19 pandemic

As evidence below under section 5, the COVID 19 pandemic strongly affected the Entertainment and Media markets, worldwide. Successive lockdown periods in all geographies indeed impacted cinema distributors mainly as far as physical retail (i.e. theaters) are concerned. Distributors strongly contribute to the financing of the Issuer's production via the payment of Guaranteed Minimums. The detrimental effect of the pandemic on their economic and financial perspectives can adversely affect the Issuer's business, economic, equity and financial situation. The fact that a large part of the Issuer's production in terms of value, i.e. the short formats, are financed by Digital Platforms, which revenues boomed during the pandemic, fortunately strongly mitigated such risks.

Furthermore, though successful remedial steps have been set forth to enable work from home, especially in the animation production sector, the filming, shooting and release of some Audiovisual Works produced by the Issuer suffered from delays, though none was cancelled at the date of this Information Document. Were the pandemic to cause further lockdown periods negatively impacting the entire sector, the Issuer could suffer from a detrimental situation, especially with regards to audiovisual works intended for distribution in movie theaters.

5. OVERVIEW OF ACTIVITIES

5.1 Introduction

5.1.1 The Company's History

Founded in Rome in 2011 by Andrea Iervolino and Monika Bacardi and listed on IAM Italia in 2019¹⁰, Iervolino & Lady Bacardi Entertainment is a production and co-production company focusing on media content creation and production of international standing, attentive to human values and suitable for the young audience of Digital Platforms. The Issuer initially carried out the marketing of Rights in Italy. Since 2018, the Company has focused on International Standing Productions, achieving, over the last years, the making of several films for the international market (please see developments in this section below) and the production of the Web Series Arctic Friends and Puffins.

Andrea Iervolino and Lady Bacardi both are experienced producers on the international film, animation and TV content stage as demonstrated by their account of 66+ and 40+ productions to date, respectively.

After carrying out some small-scale production activities in Italy, Andrea Iervolino began his career as a producer in the United States together with Luciano Martino (historic Italian producer, screenwriter and director), participating in the making of the film "Mercante di Venezia" (The Merchant of Venice), awarded at the 71st Venice Film Festival in 2004. Over the following years, Andrea Iervolino managed or financed, directly or through subsidiaries or investee companies, the production of films such as In Doubious Battle - Il Coraggio Degli Ultimi (by James Franco), Lavender (with Abbie Cornish and Justin Long), Septembers of Shiraz (with Adrien Brody and Salma Hayek), All Streets Lead To Rome (with Sarah Jessica Parker, Roul Bova, Paz Vega and Claudia Cardinale), Everything Can Change (with Keira Knightley and Mark Ruffalo), The Humbling (with Al Pacino), Cruel Intentions - First Rule Don't Fall in Love (with Reese Witherspoon and Selma Blair), Fino All'Osso (To the Bone) (with Keenu Reeves and Lily Collins, distributed by Netflix).

In 2013, Andrea Iervolino founded AMBI Distribution together with Monika Gomez del Campo Bacardi, which soon established itself as one of the world's leading cinema sales agents, with whom he produces and finances some of the cinematographic works listed above.

In 2014, Andrea Iervolino received the Mimmo Rotella Award at the Venice Film Festival together with Monika Bacardi as co-producers and distributors for Italy of The Humbling.

In 2015 he was named in Variety's Dealmakers Impact Report and, the following year, as one of Variety's 10 "Producers to Watch". Also in 2016, he was ambassador for Italian cinema in the world at the Italian Contemporary Film Festival and president of the Ischia Film Festival.

Furthermore, in 2016, Andrea Iervolino received, together with James Franco and Monika Bacardi, the Mimmo Rotella Award for the production In Doubious Battle at the Venice Film Festival.

In 2018, Andrea Iervolino launched TaTaTu, an entertainment content platform where users, seeing Movies, TV Series and other content, earn reward tokens that they can use to buy new content or goods and services from third parties, which accept tokens as a form of payment. The platform also offers social functions, which allow users to interact with other members while watching the same content and chat to instantly comment on the scene just seen and

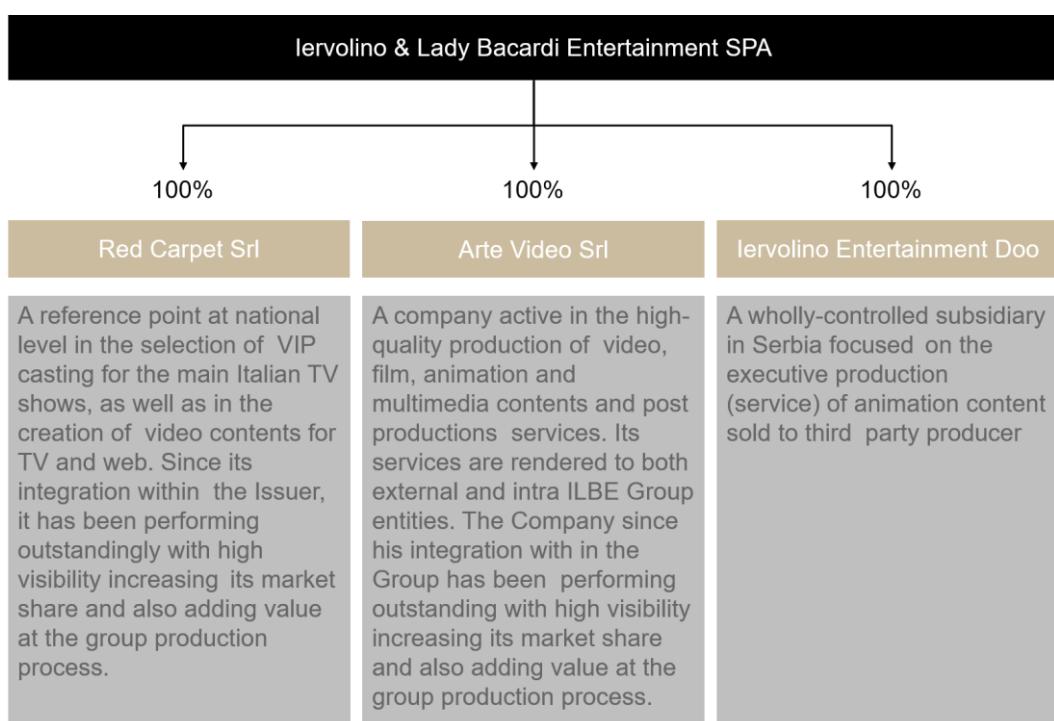
¹⁰ Now Euronext Growth Milan.

also provides the possibility of receiving tokens for friends invited to use TaTaTu. Thanks to blockchain technology, the platform guarantees the protection of copyright, making the contents unable to copy or replicable.¹¹

The Company then scaled-up in 2019 with its IPO in Milan in August 2019, a year during which the Company also launched new lines of business in digital marketing and advertising, and stars artistic management, this latter having been reinforced by the acquisition of Red Carpet Srl, a company specialising in such matters. In 2020, the Company also made the acquisition of Arte Video Srl to reinforce its services to production component: authoring, encoding and digital delivery.

The Company finally decided to change its commercial name in June 2021 from Iervolino Entertainment to Iervolino & Lady Bacardi Entertainment in short with the abbreviation "ILBE S.p.A" to receive greater and greater attention from foreign markets. The decision to include the name of Lady Monika Bacardi, an important name at international level, is to be considered within this framework: she is a female entrepreneur, the Company's major shareholder and a producer of all the Company's projects, whom has always strongly believed in the Company. This was followed by a real rebranding process, which saw the creation of a new logo inspired by the structural elements of the film reel: a harmonic system of letters, of geometries that communicate by means of joints and links, to evoke the connection, the union, the compactness of ideas, people, society. The renewed ILBE brand expresses at the same time the plurality and the dynamism of the international company: the brand was designed in a "reassuring" framework that makes the graphics stable and solid, as well as dynamic at the same time, through the changing contents.

Following the various acquisition, the Issuer is now made of the following operating companies¹²:



¹¹ Though some agreements were passed between TaTaTu and the Issuer, those are no longer in force at the date of this Information Document except for those described below under section 5.2.

¹² For a complete

5.1.2 Quality IPs and risk control

The Issuer aims at developing local¹³ quality content with a strong international appeal while keeping control over IP rights in order to be able to generate value over the long run. ILBE shows a secure business model thanks to a financing scheme typical of content production: it does not directly finance its production activities and retains full control over content rights. The Issuer is thereby uniquely positioned to play in the growing media content production industry, which is expected to benefit from even more investment to come from SVOD platforms in a near future in a European market that is now protected by quotas set forth by EU regulation.

Historically, the Issuer's business has been more specifically relating to the creation of Audiovisual Works designed, based on the model of the Hollywood majors, for international distribution, affording cosmopolitan subjects and scripts and proposing directors and cast of international fame, such as Johnny Depp, Morgan Freeman, Robert Pattinson, Halle Berry, Margot Robbie, Freida Pinto and many others.

The Issuer automatically acquires, from the outset, full ownership (or a share, if it acts as a co-producer) of all the exploitation rights of the Audiovisual Works in perpetuity and for the whole world, in all languages and on all distribution channels. The Issuer exploits the Rights thus acquired both by transferring them outright (in full or for some territories, languages or sales channels) and by granting distribution licenses for certain territories, languages, channels and time periods as the case may be. At the end of said periods, the Rights return to the Issuer. Sales Agents and distributors frequently advance to the Issuer a part of the future proceeds expected from the exploitation of the Audiovisual Works: the so-called Guaranteed Minimums. Guaranteed Minimums are paid in instalments as the production progresses: at the start and then regularly until completion, it being understood that the Issuer is entitled to receive further percentages of the proceeds (i.e. Backend) after the distributor has recovered, from the exploitation of the licensed Rights, an amount equal to the Guaranteed Minimums and, as a rule, some distribution costs.

The Issuer's business model thus allows that: (i) the production is started only after having ensured the collection, from third parties, of the financial resources, deriving mainly from the Guaranteed Minimums, Tax Credits and other forms of incentives typical of the industry, to cover all the estimated costs; (ii) substantially no P&A activities are carried out directly by the Issuer and that; (iii) the productions are insured against the risk of impediments to their conclusion, with a strong containment of the main operational risks typical of film and television productions.

In addition, the conclusion of distribution agreements that provide for the payment of Guaranteed Minimums already in the production phase enables the Issuer to minimize the performance risk of the Audiovisual Works (i.e., the risk of non-satisfaction therewith of the public), transferring it for a significant part for the Sales Agents and local distributors, which must pay it regardless of whether it is recovered from the proceeds from the exploitation of the Audiovisual Works.

Lastly, although the Issuer's productions are typically Italian and made for a significant part in Italy, the operating model of the Issuer provides for the ability to develop productions at a global level. This is done partly through the establishment of corporate vehicles in the geographies considered to be of greatest interest, with the consequent possibility of being able to benefit

¹³ Most productions so far link to Italy while some productions made in other European areas should be developed, notably in languages other than English or Italian.

from tax benefits and incentives reserved for the film and entertainment sectors in various countries, such as China, a market of particular importance due to its size. An important consequence of the Italian nationality of productions, compared with content in English, is that they avoid limits imposed by notably the Chinese government on the import of artistic/cinematographic productions from abroad.

This business formula relies, in the Issuer's opinion, essentially on the following main strengths of the Company:

- the consolidated network of relationships with internationally renowned actors and directors of the Issuer's management and, specifically, with Andrea Iervolino who, having produced over 60 films in over 15 years of business (out of which a significant part at an international level), has developed lasting relationships with some of the main Hollywood stars, including emerging ones, from which the Issuer benefits;
- the consolidated relationships with the Sales Agents (and, specifically, with AMBI Distribution, a company in which Andrea Iervolino holds 50% of the share capital) and local distributors, which give the Issuer easy access to both Guaranteed Minimums necessary to start production and to the international rights market;
- the contacts matured over the years by the Issuer's management and, specifically by Andrea Iervolino, with co-producers of international standing, which increase opportunities to participate in international productions;
- the many years of experience of the Company's management in the running and implementation, in practice, of International Standing Productions, both in Italy and at an international scale.

ILBE's focus on productions suitable for an international audience, which vast majority are made in English, enables it to have access to rights that can be exploited all over the world and not only in a limited geographical area. By contrast, most local producers are mainly oriented towards making products destined for their domestic market, which are therefore difficult to market abroad.

These features ensure that the Issuer, in the opinion of its management, is a producer with unique characteristics on the Italian market.

As at the date of this Information Document, the Issuer successfully completed production three film productions (*The Poison Rose*, *Waiting for the Barbarians* and *Tell It Like A Woman*) as well as 190 episodes of the Web Series *Arctic Justice* and 129 episodes of the series *Puffins*.¹⁴ The Issuer also have a pipe of films and animation under production not yet released.¹⁵ In addition, the Issuer has licensed rights in its library relating to 26 films, which it markets in Italy.¹⁶

Lastly, it should be noted that the Issuer also launched in 2019 two businesses ancillary to its core production and co-production business, namely: (i) an in-house digital advertising department; and (ii) the artistic management activity for Italy of celebrities with whom the Issuer has privileged relations thanks to the links it presents with its core business. Artistic management is a growing business line on which the Issuer invested notably through the acquisition of Red Carpet in 2020 but it is still under development and has a marginal impact

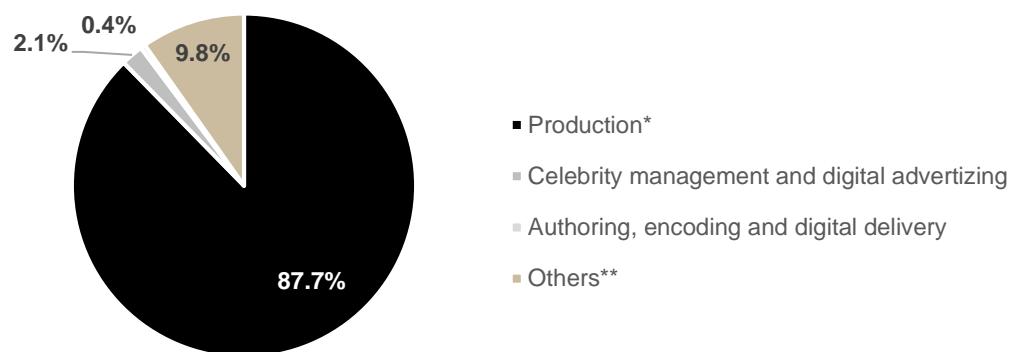
¹⁴ Please see section 5.3. below in this Information Document for further details on productions made.

¹⁵ Please see section 5.2. below in this Information Document for further details on the pipeline of productions.

¹⁶ Please see section 5.2. below in this Information Document for further details on the IP library.

on the Issuer's revenues with c. €2.4m generated during the 2021 first semester. The Company's distribution of revenues is as follows:

Operating mainly in the field of Audiovisual Works production, co-production, services to production as well as in celebrities management, the Company's revenues as at 30 June 2021 amounted as EUR 114.2m and were distributed as follows¹⁷:



¹⁷ Source: the Issuer's management report as at 30 June 2021. *Production includes co-production and backend revenues; **Others mainly include grants, tax credits from production.

5.2 The Issuer business

5.2.1 The production of Audiovisual Works

The Issuer core business is essentially the creation of International Standing Productions. As a rule, the Company directly manages the entire production cycle of Audiovisual Works, which consists of four main phases:

- (a) the pre-preparation phase;
- (b) the preparation phase;
- (c) the filming phase; and
- (d) the post-production phase.

The whole process lasts between 18 and 24 months on average.

Please note that ILBE resorts to out-sourced executive producers, film studios or animation studios. From time to time, a film or television crew is set up; that is the set of professional, technical, artistic and administrative people who carry out the Audiovisual Works. It takes care of the whole project or employed as a secondary unit that deal with the production for specific scenes or specific countries, for the entire duration of the production or co-production.

The activities carried out by the Issuer for each phase can be summarized as follows.

(a) The pre-preparation phase

This phase begins with the selection of the concepts that can constitute the plot for a video content to be developed in production or co-production. This selection is made within the Company and is mainly carried out by Andrea Iervolino, based on his knowledge of the market and his professional experience, as well as by the internal team and specialist readers based in the United States of America who are responsible for preparing the technical sheets. The concept can be developed autonomously, such as, for example, based current trends; or can already be expressed in a subject or in a screenplay developed by third-party authors. In some cases, the rights of film transposition of literary works or other intellectual works may be acquired or the concept may be based on characters or plots already developed in other Audiovisual Works (so-called spin offs) or on previous or subsequent events to those already the subject of an Audiovisual Work: i.e. prequels and sequels, respectively. Once a concept is selected, the Company assigns - where necessary, the relevant professionals to draft the subject (in which the plot, the places, the characters, the historical period of setting are succinctly described) and the screenplay (which is a more detailed description of the individual scenes and individual dialogues of the Audiovisual Work as well as the places and objects present in the individual shots).

(b) The preparation phase

During the preparation phase, the Company, through the production manager, Danielle Maloni, essentially (i) financially organizes the production and (ii) carries out the preparatory activities for the production, such as the casting (i.e., the selection of actors, also as voices in animation productions), the choice of locations, the choice of the animation studio, the definition of the storyboard (i.e., the illustration of the screenplay by means of drawings), as well as the

completion of inspections to verify the suitability of the chosen locations, the creation of costumes, sets and make-up.

As regards the financing activity, in accordance with the business model adopted by ILBE, the Company initiates the production of an Audiovisual Work only once the collection of financial sources from third parties to cover the estimated costs is secured.

This collection takes place mainly with the Sales Agents and distributors, which pay Guaranteed Minimums against pre-sales in their favor of the Rights of the Audiovisual Works or which can also pre-purchase portions of the Backends. A significant part of the financing of the productions can also be carried out through co-production agreements, regional incentive schemes and Product Placement activities.

As regards the Company's productions, the related costs are covered, on average, as follows:

Guaranteed Minimums:	approximately 50-100% of the cost of production
Regional Incentives:	approximately 3-7% of the cost of production
Product Placement:	approximately 2% of the cost of production
Backend:	approximately 30% of the cost of production

The average production cost of a film by ILBE ranges between €2 million and €20 million.

The preparation activity is handled, as regards the financing of the Audiovisual Works by Executive Finance Director Giorgio Paglioni. Pre-sales financing are mainly sought for by Andrea Iervolino, with the help of Leady Bacardi and the company AMBI Distribution, thanks to their knowledge of the market and personal relations in the production and distribution sectors. Giorgio Paglioni and his associates at the finance department then secure execution of the discussed agreements and present applications to the various bodies granting subsidies or tax credits (governments, regions, etc.).

The Tax Credit supports the activity of film production, co-production and distribution and constitutes an important element for companies operating in the Italian film sector and is governed, in Italy mainly by the Franceschini Law and by Ministerial Decree dated 15 March 2018, which implement it.

In order to benefit from these concessions, applicants and productions must possess the requisites envisaged by the sector regulations, which tend to amount to the attribution of the Italian nationality to Audiovisual Works. Regional grants' criteria for attribution differ depending on local requirements.

As regards the remaining activities by the Company's team dedicated to the productions, composed, at the date of this Information Document, of 3 people, for which Danielle Maloni is responsible (the "**Production Team**").

(c) The filming phase or the making of the animation

The shooting (or making of the animation) phase, according to the script and the storyboard, represents the main moment of the entire production process of an Audiovisual Work.

Animation productions are, on their end, made directly by studios specializing in this sector based on the storyboard, through computer animation. The Issuer, via its subsidiary Iervolino Studio in Serbia, resorts to these in-house services for part of the animation works created.

The filming phase is outsourced and is managed and overseen, for the Company, by the Production Team, where Davide Tovi specifically takes care of the filming (if the filming is shot in Italy). The Company's representatives actively participate in this phase, overseeing the production of the shooting directly in the field.

(d) The post-production phase

Post-production is the final phase of the production cycle of an Audiovisual Work, during which the editing is carried out, the dialogue column (including any dubbing) and the soundtrack are created, the sound and special effects are taken care of, synchronization is made and the mixing is completed until the final editing and final printing of the copy of the Audiovisual Work (the master copy).

The post-production phase is essentially carried out in specialist workshops and is managed and supervised for the Company by the Production Team. In 2020, ILBE made the acquisition of Arte Video SrL, a company specialized in post-production that can now handle those matters in-house with a high degree of professional competence, displaying the last technological tools available.

5.2.2 Productions made and in the portfolio

As at the date of this Information Document, the Company has released the productions described in the following developments, each time accompanied by a chart presenting the main financial figures of the works: Revenues (Pre-sales –incl. Guaranteed Minimums; Grants), Backlog revenues where available (i.e. the part of revenues paid to the Company by distributors once those latter recover their initial investments and costs) as well as the state at which depreciation has been accounted for in the P&L at the date indicated, which give the reader an idea a Company's production revenue streams.

(a) The Poison Rose

Released in 2019, *The Poison Rose* is an action thriller directed by Francesco Cinquemani, George Gallo, Luca Gilberto and starring John Travolta, Morgan Freeman, Famke Janssen, Peter Stormare and Brendan Fraser. The film was shot in Savannah, Georgia (United States) and in and around Rome. The film thus qualifies as an Italian film.





John Travolta Morgan Freeman Brendan Fraser Peter Stormare Femke Jannsen Robert Patrick

Synopsis: The film tells the story of a private investigator (Travolta) who finds himself investigating a shady round of clandestine betting involving the world of football, controlled by the boss of the area (Freeman). The situation becomes complicated when the daughter of the woman he has always loved (Janssen) is involved and turns out to be his natural daughter.

Under a distribution agreement, Millennium Media Inc. acquired the rights to sell the film for international distribution (as specified below) and, therefore, financed its production through the payment of Guaranteed Minimums; in addition, the creation of this production was also financed through the pre-sale of a percentage of the Backend.

The film was delivered in 2018. The main financial data relating to the Film recorded in the financial statements as at 30 June 2021 are as follows:

THE POISON ROSE	€/m
Revenues (Guaranteed Minimums and other pre-sales of Rights)	16.5
Government grant	3.9
Depreciation	15.9

The main agreements entered into by the Issuer relating to this production are:

- Production agreement: an agreement passed under Italian law that provides for a case of tax credit, from which it follows that the sum of production agreed between the parties will be reduced in proportion to what the transferor will have obtained according to the tax credit.
- Contract for the transfer of the rights to the script: In March 2018, Poison Production Inc. ("PP") transferred, to the Issuer, worldwide and indefinitely, the economic exploitation and distribution rights over the film and related rights, such as those on merchandising, promotion, sponsorship, advertising, music, soundtracks, as well as those of reproduction of the film on any medium or in any manner. The agreement provides for the transfer of the rights relating to the film only, excluding the transfer of the rights to sequels/prequels, spin-offs or derivative products that remain with PP. The agreement is governed by the laws of the State of California.
- Agreement with the music composer: in June 2018, the music composer, Marcus Sjowall (the "**Composer**"), transferred, to PR, all rights over the music on a non-exclusive and worldwide basis. The composer is entitled to the payment of royalties, to

the extent of not less than three quarters of the current fees in Canada and in the United States of America at the time of use of the music and for its inclusion in the Film. The agreement is governed by the laws of the State of California.

- Film Distribution Agreement: in March 2018, the Issuer exclusively sold the distribution rights of Poison Rose to Millennium Media Inc. ("MM") for twenty years (and a further ten years in case of impossibility to recover the Guaranteed Minimums) all over the world with the exception of Italy, San Marino, Vatican City, Italian Switzerland (excluding theatrical rights, DVD, on demand), Capo d'Istria, Italian Monaco and the Italian-speaking part of Slovenia. MM is required to pay a certain fee for this agreement, it being understood that the allocation of the distribution proceeds will then follow the following criterion: the Issuer shall receive 30% of the final sum, obtained by subtracting the 25% commission due to MM from the gross of distribution, out-of-pocket expenses and the Guaranteed Minimum that MM shall retain. Therefore, MM shall receive 70% of the proceeds from the distribution, whilst the remaining 30% shall be returned to the Issuer. The agreement is governed by the laws of the State of California.
- Agreement for the transfer of the Film Backend: in May 2018, the Issuer also undertook, with MM, to finance the production of the film and, as a result, obtained to raise the share of net proceeds due thereto to 70%. This agreement is governed by the Italian law.
- Distribution Agreement: in September 2018, the Issuer granted TaTaTu Enterprises the exclusive license to reproduce, distribute, use, broadcast and publicly exhibit the film, through the TaTaTu service with reference to the Italian territory. In consideration for the license granted, the Issuer shall obtain a sum as a guaranteed minimum and shall also be entitled to a percentage of the distribution proceeds according to the following parameters: (i) a commission for TaTaTu Enterprises of 30% shall be deducted from the gross resulting from the distribution on the TaTaTu Video Service and (ii) once the Guaranteed Minimum has been deducted from this sum, the Issuer shall be entitled to 70% of the remainder.
- Backend Transfer Agreement: on 4 January 2019, the Issuer and Arca Film Group Inc., a company with registered office in Toronto (Canada) (hereinafter, "Arca Film"), signed a contract for the sale of the Backend resulting from a distribution transfer agreement (hereinafter, the "Distribution Agreement") signed in March 2018 between the Company and MM. Under the latter agreement, the Company has authorized MM to distribute and exploit the cinematographic work "The Poison Rose" (hereinafter, the "Film") in any language, format and distribution channel worldwide. Under this agreement, the Company has the right to receive 15% of the net profits deriving from the exploitation of the Film by MM in the territory as defined in the Distribution Agreement (hereinafter, the "Net Profits"). By virtue of the Backend transfer agreement with Arca Film, the Issuer has undertaken to transfer 15% of all present and future receivables resulting from Net Profits to Arca Film. This agreement has a term of twenty years, which may, however, be extended for a further period of ten years in the event that Arca Film does not recover the guaranteed minimum paid by Arca Film. The Revenue Transfer Agreement is governed by Italian law and the place of jurisdiction for any disputes related to this agreement is that of Rome.
- Italy rights distribution agreement: on 24 January 2020, the Company and Adler Entertainment S.r.l., a company with registered office in Milan (Italy) (hereinafter, "Adler"), signed a distribution agreement for the Italian rights.

(b) *Waiting For the Barbarians*

Released in 2019, the film is based on the novel by Nobel Prize winner J.M. Coetzee, directed by Academy Award nominee Ciro Guerra and starring Academy Award winner Mark Rylance, Academy Award nominee Johnny Depp and the star of the Twilight saga, Robert Pattinson. The film was shot in Morocco and in the province of Rome. The film is an Italian film. Waiting For the Barbarians was in competition at the 76th Venice Film Festival.



Mark Rylance



Johny Depp



Robert Pattinson



Gana Bayarsaikhan

Synopsis: the film is based on the crisis of conscience of the “Magistrate” - a faithful servant of the Empire who works in a small frontier town, doing his best to ignore an inevitable war with the “barbarians”. After witnessing the cruel and unfair treatment of prisoners of war, the protagonist reconsiders his role in the regime and performs a quixotic act of rebellion.

Under a distribution agreement, AMBI Distribution acquired the rights to sell the film for international distribution.

The film was delivered in 2019. The main financial data relating to the Film recorded in the financial statements as at 30 June 2021 are as follows:

The main financial data relating to the Film, from delivery until 31 December 2020, are as follows:

WAITING FOR THE BARBARIANS	€/m
Revenues (Guaranteed Minimums and other pre-sales of Rights)	14.8
Ancillary and Backend revenues	5.6
Government grant	4.1
Net profits self-distribution business	-0.4
Depreciation	14.2

The main agreements entered into by the Issuer relating to this production are:

- Transfer of property and economic exploitation rights of the film “Waiting for the Barbarians” and assignment of script writing: in December 2017, Andrea Iervolino (“AI”) transferred to the Issuer all property and economic exploitation rights over the film “Waiting for the Barbarians” (“WFTB”) worldwide and *sine die*, subject to (i) AI's rights as author; (ii) AI's rights to the remuneration for the broadcasting of the film over the air, satellite or cable in the territories of France, Principality of Monaco, Luxembourg, Switzerland and Liechtenstein, countries in which AI is represented by companies of authors who will intervene directly for the perception of AI's remuneration as author and (iii) analogous rights due to AI in countries in which it is recognized a remuneration for the exploitation of the film on television and, for this purpose, the right to remuneration is provided for. The rights transferred by AI to the Issuer, as well as the agreement itself, may be freely transferred to third parties, in whole or in part, at any time and in any part of the territory. This agreement is governed by Italian law.
- Agreement for the transfer of rights over the literary work “Waiting for the Barbarians”: In May 2018 the publisher The Random House Group, owner of the rights to the literary work “Waiting for the Barbarians”, transferred the rights in this work to WFTB Inc., excluding editorial rights. Under this agreement, WFTB Inc. granted the publisher the right to use the images of the film resulting from the work, as well as the final title of that film. The agreement is governed by the law of the State of California
- Agreement for the transfer of rights over the literary work “Waiting for the Barbarians”: In April 2018, the publisher Penguin Random House, owner of the rights to the literary work “Waiting for the Barbarians”, transferred the rights in this work to WFTB Inc., excluding editorial rights. The agreement is governed by the law of the State of California.

Distribution Agreement: In September 2018, the Issuer licensed WFTB's exclusive worldwide distribution rights to AMBI for 18 years from the date of delivery. AMBI was also recognized as an exclusive Sales Agent for WFTB, with a recognition of 10% of the gross commissions deriving from the economic exploitation of the film in the United States of America and 15% of the gross commissions deriving from the economic exploitation in the rest of the world. The Issuer granted AMBI every right to the film in order to allow the latter to distribute it all over the world, it being understood that minor rights are limited to the rights on the soundtrack and musical rights.

- Acting contracts for the film Waiting for the Barbarians: WFTB Inc. has hired Mark Rylance and Johnny Depp as actors in WFTB, who are expected to be paid a fixed and a variable fee based on both box office proceeds and net profits. The agreement is governed by the law of the State of California
- Actors hiring contracts for the film “Waiting for the Barbarians”: WFTB Inc. has transferred, to the Issuer, the hiring contracts that the former had with Johnny Depp and Mark Rylance for their acting work in WFTB. By virtue of these transfers, the Issuer has assumed all the obligations previously held by WFTB Inc. towards the two parties. The agreement is governed by the law of the State of California
- Distribution Agreements with TaTaTu Enterprises: In November 2018, the Issuer granted TaTaTu Enterprises the rights to reproduce, use, broadcast and publicly

represent back-stage and extra content from the WFTB set shoot, along with an interview exclusively with one of the actors of the film, namely, Johnny Depp. The Issuer then transferred the rights to the distribution of the film to TaTaTu Enterprises following the expiry of the distribution agreement between the Issuer and AMBI (18 years after delivery of the film to AMBI). In this regard, the Issuer shall be entitled to the sum resulting from the following calculations: (i) a commission of 30% shall be retained by TaTaTu Enterprises from the gross resulting from the distribution on the TaTaTu service; and (ii) once the Guaranteed Minimum has been deducted, the Issuer shall be entitled to 70% and TaTaTu Enterprises will be entitled to the remaining 30%.

- Agreement for the transfer of the net proceeds generated by the exploitation of the film: in December 2019, the Issuer signed, with Ladybug Film S.r.l., the agreement for the sale of 21.4% of the net proceeds generated by the exploitation of the film.
- Agreement for the transfer of the net proceeds generated by the exploitation of the film: in June 2020, the Issuer signed, with Short Art Media Llc, the agreement for the sale of 18.91% of the net proceeds generated by the exploitation of the film.
- Agreements for the self-distribution of the film in Italy: in September 2020, the Issuer signed active and passive agreements for the self-distribution of the film in Italian cinemas.

(c) *Arctic Friends (formerly Arctic Justice)*

Arctic Friends is a Web Series based on the animated film of the same name produced by the Issuer, consisting of 190 mini episodes lasting 5 minutes.

Synopsis: this animated comedy series explores the fantastic adventures of Swifty, the arctic fox and his group of friends in the city of Taigasville. Each episode focuses on an adventure of the group, which between misunderstandings and funny gags will solve all the unexpected events and threats they will face to restore "Arctic justice" in the city! This animated short series is distributed via Apple TV and Amazon Prime for viewing in around 80 countries.



The project, carried out over the period 2018 - 2021, follows a research and development study aimed at the implementation of an innovative production process (i.e., pipeline) that can accelerate the animation production times, reducing costs and improving the performance of software and hardware used. For further information.¹⁸

As at the date of this Information Document, 190 episodes have been made (15 in 2018, 35 in 2019, 72 in 2020 and 68 in 2021). The main financial data relating to the web series as at 30 June 2021 and in relation to 190 episodes are the following:

ARCTIC FRIENDS	€/m
Revenues (Guaranteed Minimums and other pre-sales of Rights)	140.9
Government Grant	25.8

¹⁸ Please see section 5.2.8. for further details on the Pipeline process

Pipeline transfer revenues	32.1
Ancillary and backend revenues	4.0
Depreciation	152.2

The main agreements entered into by the Company relating to this production are:

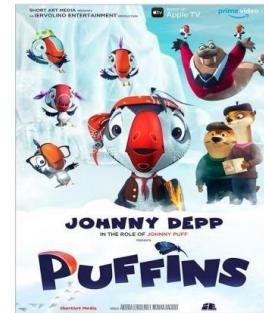
- Financing and production agreement with Paradox Studios LLC (“Paradox”): under the agreement concluded in July 2018, Paradox, as executive producer, partially financed the production through contributions for individual episodes, for a fee represented by the sale of the distribution and economic exploitation rights in the World of the Web Series for the entire term of the rights over the series, whilst the Issuer maintained the rights over the merchandising relating to the series itself. The Issuer is also entitled to receive, from Paradox, a Backend equal to 50% of the total proceeds deriving from the distribution of the Web Series worldwide, minus certain royalties, the sales commissions of Paradox and the costs of distributing the series. This agreement provides for the payment of contributions to the creation of the episodes in US Dollars. This agreement also provides for early termination clauses in the event of a serious breach of contract, in the case of application of insolvency procedures, in the event of cessation of activities or inability to meet debts and in the event of liquidation, mergers or similar transactions relating to Paradox, the Company and their parent companies. The contract is governed by the law of the State of California and any disputes relating thereto are subject to the jurisdiction of the Courts of California.
- Option rights transfer agreement with Paradox: again in July 2018, Paradox transferred to the Issuer the option rights granted to it by Arctic Justice Movies Limited (“AJML”), the company that owns the rights to the film Arctic Justice, in relation to the rights to prequel/sequel, re-release and TV adaptation, as well as the rights to merchandising, music and production of “short-series” with reference to the film worldwide. This option expired on 31 August 2018.
- Agreement for the transfer of the rights over the film for the production of the series: in July 2018, the Issuer exercised the option acquired by Paradox and therefore obtained from AJML the rights referred to in the Paradox option, as described above.
- AJML Licence Agreement: In July 2018, AJML also licensed, to the Issuer, the rights to the characters in the Arctic Justice Film, on which the Web Series is based, for the whole world and, with respect to the products and characters, for the whole world except for the United States of America. The rights have been assigned to the Issuer indefinitely and allow the Issuer to create a Web Series inspired by the film and also to create and market products depicting the characters of the film and the subsequent web series. The arbitration chamber of the World Intellectual Property Organization has jurisdiction for any dispute relating to the agreement.
- Executive production agreement with Ladybug Film S.r.l. (“LB”): In August 2018, the Issuer hired LB to executive produce the “Arctic Justice” Web Series, also assigning it the task of acquiring the screenwriting rights of Peter Nalli and Matthew Lyon. In the assignment, it was expected that LB would take care of the hiring of Nalli and Lyon as directors for the creation of the first 15 episodes of the Web Series. LB transferred, to

the Issuer, all the rights acquired by the assignor/beneficiary over the screenplay. This agreement is governed by the Italian law.

- License agreement for the characters of Arctic Friends and the Pipeline: on 30 October 2020, the Issuer signed, with Fenix Entertainment S.p.A., the contract concerning: i) the license to use the characters in the film "Arctic Justice" and ii) the transfer of the rights to use the Pipeline. Fenix Entertainment S.p.A. is using these characters and the Pipeline for the production of the film "*Ladri di Natale*" ("Christmas Thieves").
- Licence agreement for the characters of Arctic Friends and the Pipeline: on 25 February 2021, the Issuer signed, with Minerva Pictures Group S.r.l., the contract concerning: i) the license to use the characters in the film "Arctic Justice" and ii) the transfer of the rights to use the Pipeline. Minerva Picture group S.r.l. is using these characters and the Pipeline for the production of the film "The Good Witch if Christmas".
- Post-production contract with Arte Video: on 3 February 2020, the Issuer signed, with Arte Video S.r.l., the contract concerning the post-production activity including the transcoding from the 2D format to the 3D format.

(d) Puffins

A TV series in the form of a cartoon inspired by the characters from the family animated film "Arctic Justice". The series consists of very short episodes of about 5 minutes each and has as its main subjects the "puffins", literally the "puffins", or the minions of the main villain of the "Arctic Justice" plot. The series is available on Apple TV and Amazon Prime for viewing in over 80 countries. It ranked first for its debut on Apple TV in Italy on the family-friendly segment.



The project, to be carried out over the period 2019-2022, provides for the production of at least 190 episodes.

As at the date of this Information Document, 129 episodes have been made (20 in 2019, 50 in 2020, and 59 in 2021). The main financial data relating to the web series as at 30 June 2021 and in relation to 129 episodes are the following:

PUFFINS	€/m
Revenues (Guaranteed Minimums and other pre-sales of Rights)	56.9
Government Grant	8.7
Depreciation	65.1

The main agreements entered into by the Issuer relating to this production are:

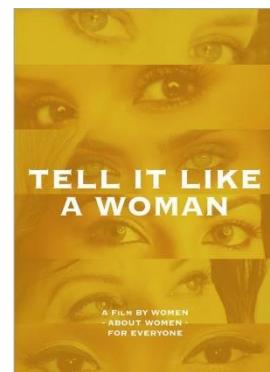
- Financing and production agreement with Short Art Media LLC ("ShortArt"): under the agreement concluded in October 2019, ShortArt, as executive producer, partially financed the production through contributions for individual episodes, against a consideration represented by the transfer of the rights of distribution and economic

exploitation, worldwide, of the Web Series for the entire duration of the rights on the series. The Issuer is also entitled to receive, from ShortArt, a Backend equal to 50% of the total proceeds deriving from the distribution of the Web Series worldwide, minus certain royalties, the sales commissions of ShortArt and the costs of distributing the series. This agreement provides for the payment of contributions to the creation of the episodes in US Dollars. This agreement also provides for early termination clauses in the event of a serious breach of contract, in the case of application of insolvency procedures, in the event of cessation of activities or inability to meet debts and in the event of liquidation, mergers or similar transactions relating to ShortArt, the Company and their parent companies. The contract is governed by the law of the State of California and any disputes relating thereto are subject to the jurisdiction of the Courts of California.

- Agreement for the transfer of rights for the production of the series: in October 2019, the Issuer acquired the rights necessary for the production of the series from Short Art Media LLC. The rights have been assigned to the Issuer indefinitely and allow the Issuer to create a Web Series and also to create and market products depicting the characters and the subsequent web series.
- Web Series Production Agreement with Al Mashael Movies (“AM”): In October 2019, the Issuer commissioned the AM digital animation studio to produce the “Puffins” Web Series. Each episode of the Web Series will be financed. All current and future intellectual property rights associated with the creation of the Web Series will be the property of the Issuer and made accessible to AM for the sole duration of the creation of the Web Series of 190 episodes between 2019 and 2022.
- Collaboration agreement with Johnny Depp: in June 2020, the Issuer signed a contract with Johnny Depp concerning the dubbing of a character from the "The Puffins" series. This character, whose name is Johnny Puff, is inspired by Johnny Depp.
- Post-production contract with Arte Video: on 3 February 2020, the Issuer signed, with Arte Video S.r.l., the contract concerning the post production activity including the transcoding from the 2D format to the innovative 3D format.

(e) Tell it like a Woman (formerly Together Now, Women Stories)

An all-female project, created by women, for women and for everyone. It concerns 6 different topics addressed by 6 different short films of about 15 minutes each. The genres addressed will involve drama, comedy and even docudrama. The direction is exclusively feminine, with female directors from all over the world, such as Maria Sole Tognazzi, Lucia Puenzo, Leena Yadav, Catherine Hardwicke, called to direct actresses of the caliber of Margherita Buy, Eva Longoria, Jacqueline Fernandez, Cara Delavigne and Oscar Marcia Gay Harden. It is expected by the end of the year 2021.



As at 31 December 2020, 4 of the 6 planned segments have been completed. The main financial data relating to the film in 2019 and 2020 are as follows:

TELL IT LIKE A WOMAN	€/m
Revenues (Guaranteed Minimums and other pre-sales of Rights)	9.8
Government Grant	1.6
Depreciation	7.4

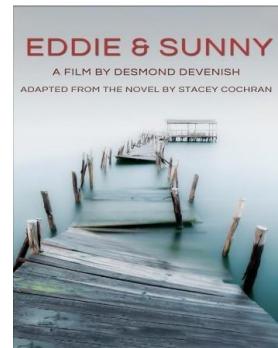
The main agreements entered into by the Company relating to this production are:

- Transfer of intellectual property rights and economic exploitation rights of the Audiovisual Work "Together Now": in March 2019, Ladybug Film S.r.l. ("LB") transferred, to the Issuer, all intellectual property and economic exploitation rights, for the whole world and indefinitely, in the work "Together Now" ("TN"). The parties agreed that the rights assigned in the contract, in whole or in part, in any form or manner and with any existing or future inventive means and technology, are all transferable to third parties. The contract is governed by Italian law and the Court of Rome has the exclusive jurisdiction over any dispute relating to the contract.
- Transfer of the intellectual property rights and economic exploitation rights of the "Together Now" script: in April 2019, LB transferred, to the Issuer, notwithstanding moral copyright, all intellectual property and economic exploitation rights, for the whole world and *sine die*, over the TN screenplay and over the individual constituent elements such as the characters, the settings and the title. The parties agreed that the rights assigned in the contract, in whole or in part, in any form or manner and with any existing or future inventive means and technology, are all transferable to third parties. The contract is governed by Italian law and the Court of Rome has the exclusive jurisdiction over any dispute relating to the contract.
- Distribution agreement with Hadid Design and Entertainment Group LLC ("Hadid"): under the agreement concluded in August 2019, Hadid acquired, following the payment of a Guaranteed Minimum, the rights over the film for the Universe territory excluding of Italy, San Marino and Vatican City. The Issuer is also entitled to receive, from Hadid, a Backend deriving from the distribution of the film worldwide, minus certain royalties, the sales commissions and the costs of distributing the film. The contract is governed by the law of the State of California and any disputes relating thereto are subject to the jurisdiction of the Courts of California.
- Service Contract with Worldwide Production Services LLC ("WWPS"): under the contract concluded in August 2019, WWPS undertakes to provide all services for the production of segments not shot in Italy. The contract is governed by the law of the State of California and any disputes relating thereto are subject to the jurisdiction of the Courts of California.

(f) Eddie & Sunny

Eddie & Sunny is a film based on the critically acclaimed novel by Stacey Cochran that was published in the US. The story is about an impulsive homeless couple who, in defense of their teenage son, commit the murder of a drug cartel affiliate and are forced into hiding to escape their revenge.

The film is directed by Desmond Devenish and stars US actor Gabriel Luna (known for his role in *Terminator, Dark Destiny*). Its release is expected for the winter 2022.



The main financial data relating to the film as at 30 June 2021 are as follows:

EDDIE & SUNNY	€/m
Revenues (Guaranteed Minimums and other pre-sales of Rights)	1.6
Government Grant	0.7
Depreciation	2.2

The main agreements entered into by the Company relating to this production are:

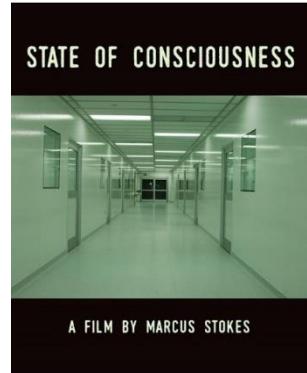
- Distribution agreement with Paradox Studios LLC ("Paradox"): under the agreement concluded in February 2020, Paradox acquired, following the payment of a Guaranteed Minimum, the rights over the film for the Universe territory excluding of Italy, San Marino and Vatican City. The Issuer is also entitled to receive, from Paradox, a Backend deriving from the distribution of the film worldwide, minus certain royalties, the sales commissions and the costs of distributing the film. The contract is governed by the law of the State of California and any disputes relating thereto are subject to the jurisdiction of the Courts of California.
- Post-production contract with Arte Video: on 14 May 2020, the Issuer signed, with Arte Video S.r.l., the contract concerning the post production activity including the transcoding from the 2D format to the innovative 3D format.
- Development and Service Agreement with Paradox Studios LLC ("Paradox"): under the agreement concluded in February 2020, Paradox undertakes to provide a series of services such as: development, casting, legal services, festival-related expenses.
- Screenplay transfer agreement with SMGF LLC ("SMGF"): under the agreement concluded in February 2020, SMGF transferred the screenplay for the production of the film to the Issuer.

5.2.3 Productions in the pipeline

As at the date of this Information Document, the Company has also started the production of the following Audiovisual Works:

(a) State of Consciousness

State of Consciousness is a film by director Marcus Stokes which tells the story of Stephen (Emile Hirsch, known for his role in *Into the Wild*), an ordinary boy who finds himself having to manage a mental short circuit that detaches him from reality, finding himself forced to have to take medication for a psychological disorder that he does not actually have. To regain his sanity and return to his normal life, his only chance will be to escape from the evil plans of Dr. Laura Fielder.



The main agreements entered into by the Company relating to this production are:

- Distribution agreement with Paradox Studios LLC ("Paradox"): under the agreement concluded in November 2020, Paradox acquired, following the payment of a Guaranteed Minimum, the rights over the film for the Universe territory excluding of Italy, San Marino and Vatican City. The Issuer is also entitled to receive, from Paradox, a Backend deriving from the distribution of the film worldwide, minus certain royalties, the sales commissions and the costs of distributing the film. The contract is governed by the law of the State of California and any disputes relating thereto are subject to the jurisdiction of the Courts of California.
- Development and Service Agreement with Paradox Studios LLC ("Paradox"): under the agreement concluded in October 2020, Paradox undertakes to provide a series of services such as: development, casting, legal services, festival-related expenses.
- Screenplay transfer agreement with SMGF LLC ("SMGF"): under the agreement concluded in November 2020, SMGF transferred the screenplay for the production of the film to the Issuer.

(b) Dakota

Dakota is a film directed by Kirk Harris. When Marine Clet Sanders tragically dies in Afghanistan, Sergeant CJ Malcolm fulfils his promise to take Dakota, Clet's best friend and fighting dog, to his family home. Clet's wife Kate (Abbie Cornish) is struggling to keep the small town farm with her daughter and CJ offers to stay and help out. Meanwhile, the local sheriff (Patrick Muldoon) knows that Kate's land is precious and that she will stop nothing to get her hands on the land. With the help of CJ, her daughter, her father (William Baldwin) and her new best friend, Dakota, Kate realises the true value of family and friendship.

The film was produced by ILBE, which signed two agreements with Universal Pictures and WWPS.TV Corp, respectively, for the sale of the film's distribution rights.

On the basis of these agreements, ILBE acquires the film production rights from WWPS, while the worldwide distribution rights were transferred to Universal, with the exception of Italy and other regions (Canada, the United States and the airlines at global level), the distribution rights of which will be held by WWPS.

The agreements with Universal and WWPS envisage guaranteed minimum revenues for ILBE for a total of \$6,250,000. As at 30 June 2021, costs totaling € 4,091 thousand were capitalized.

(c) Belle Bimbe Addormentate (“Beautiful Sleeping Babies”)

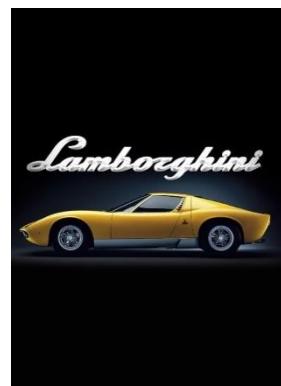
During 2020, the development of a new thriller TV series entitled *Belle Bimbe Addormentate* (“Beautiful Sleeping Babies”) was launched. After finalizing the writing part of the processing of the series and the scripts of the individual episodes, the casting and location research phase was launched. The series will be shot in English for the national and international market. Filming is scheduled for 2022.

(d) Lamborghini

Based on a book written by Tonino, Lamborghini’s son, the biopic is about the long life of the iconic entrepreneur from Emilia: from the production of tractors (Lamborghini Trattori) at the beginning of his career, created by modifying World War II military vehicles, up to the design and construction of the legendary Lamborghini cars that have outlined his legend.

This film was written and is directed by Bobby Moresco and it will be starring Frank Grillo as Ferruccio Lamborghini and Gabriel Byrne as Enzo Ferrari.

Its release is expected in 2022. For this film, Issuer provides services to a third party producer.



(e) Muti

The film will follow Detective Boyd (Hauser), a detective on the verge of retirement unable to process the death of his daughter who teams with a professor of African Studies and embarks on a hunt for a serial killer who murders according to a brutal tribal ritual: Muti. The only person who can help Boyd is Professor Mackles (Freeman), an anthropologist who hides an unspeakable secret. The line between sanity and madness thins as Boyd goes deeper into the killer’s world.

Directed by George Gallo (previously known as a script writer especially for the films *Bad Boys* (1995), *Midnight Run* (1988), *29th Street* (1991) or *Middle Men* (2009)) the film will star Cole Hauser (*Will Hunting*, *2 Fast 2 Furious*, *Rogue*), Morgan Freeman and Peter Stormare. Its release is expected in 2022.



(f) Puffins: Impossible

In late 2020, the Issuer sold the IP rights to Serbian Archangel Digital to develop another 18 web series episodes of *Puffins: Impossible*, based on the characters of the success series

Puffins, that it produced.¹⁹ In this new animation venture, ILBE will invest and act as executive producer, notably lending its Pipeline IP for the animation production process.²⁰

(g) *The Christmas Witch and Christmas Thieves*

Directed by Francesco Cinquemani and written with the contribution of Andrea Iervolino, starring William Baldwin (*Fair Game*), Tom Arnold (*True Lies, The Stupids*) and Katie McGovern, this film family-friendly comedy is produced by ILBE is expected for Christmas 2021.

Christmas Thieves, on its end, stars the same actors in the same spirit with Michael Madsen (*Kill Bill, Sin City*). Also produced by ILBE, its release is not announced yet.

(h) *Spin me Round*

A woman wins an all-expenses trip to a company's gorgeous "institute" outside of Florence, and also the chance to meet the restaurant chain's wealthy and charismatic owner. She finds a different adventure than the one she imagined.

A film directed by Jeff Baena and starring Alessandro Nivola (*American Hustle, Face/Off*), Alison Brie (*Glow, Sleeping with Other People*), with the Issuer at the executive production.

5.2.4 The Company's Library

As at the date of the Information Document, the Company also has a Library of Licensed Rights, consisting of approximately 26 Films. The following table shows the main titles present in the Company's Library as at the date of this Information Document:



The Humbling

Director: Barry Levinson
Actors: Al Pacino, Greta Grewig, Dianne Wiest, Charles Grodin, Kyra Sedgwick



Septembers of Shiraz - Shiraz, la città delle Rose

Director: Wayne Blair
Actors: Salma Hayek, Adrien Brody, Shoreh Aghdashloo, Anthony Azizi, Bashar Rahal

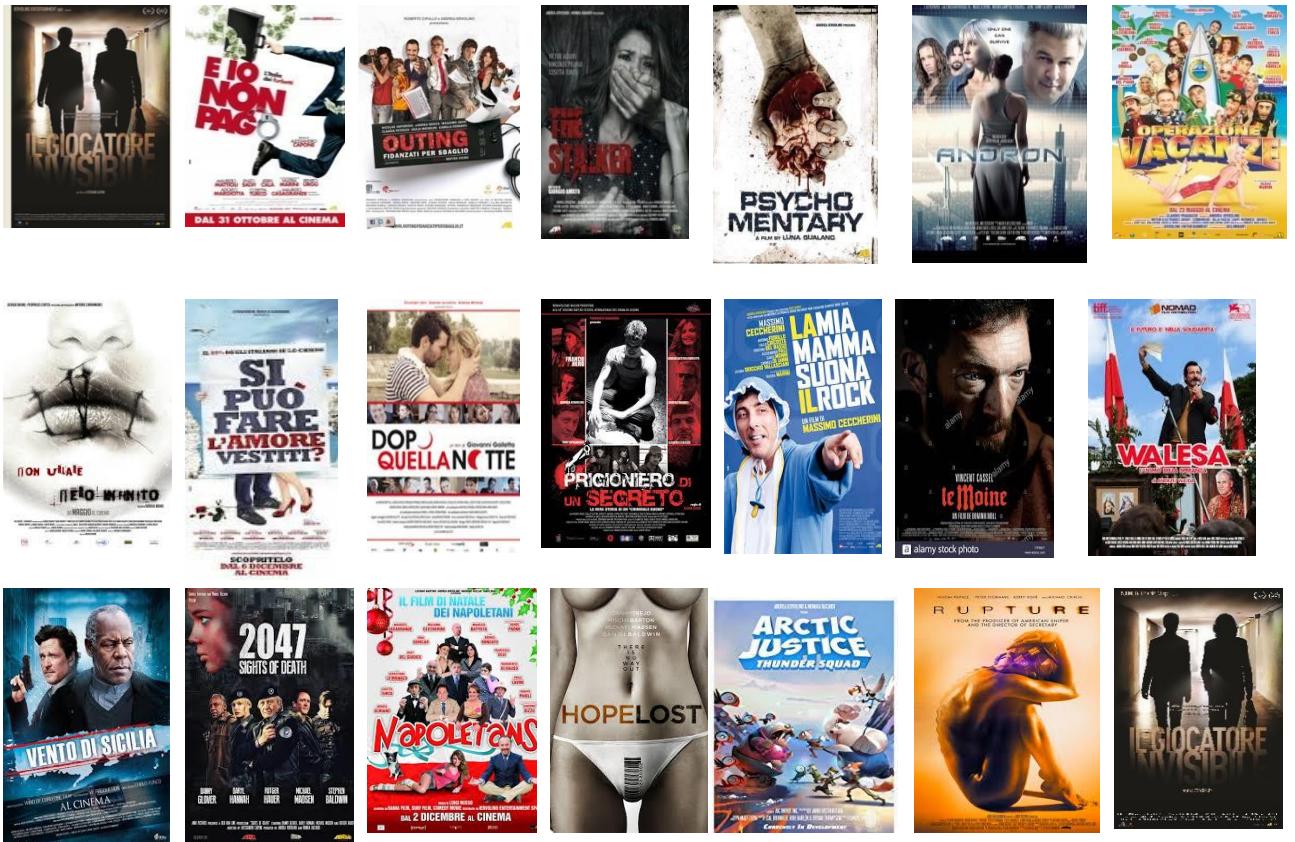


The Bleeder (Chuck)

Director: Philippe Falardeau
Actors: Live Schreiber, Naomi Watts, Elisabeth Moss, Micheal Rappaport, Jim Gaffigan

¹⁹ Please see section 5.2.2. above.

²⁰ Please see section 5.2.8. below.



5.2.5 The advertising agency business

The Company started the advertising space agency business on Digital Platforms in April 2019. This activity involves the development and design of advertising campaigns, as well as the management, marketing and sale of advertising spaces. To manage this new line of business, three managers were identified outside ILBE and have begun to carry out this activity at the Company: Giuseppe Fiaschetti (responsible for advertising with the role of ADV Strategic Advisor), Domenico Marasco (who will handle the sales of advertising spaces in Italy) and Patrizia Conte (who will manage the marketing and commercial strategies). All of these managers have many years of experience in the sector, having worked for large industrial groups, well-known advertising dealerships or major advertising agencies.

In the early months of 2020, the Business Unit relating to the advertising agency was closed.

5.2.6 The artistic management of celebrities

In the first few months of 2019, the Company launched an artistic management activity for celebrities, which, leveraging the contacts with internationally renowned actors by the management of the Issuer and specifically Andrea Iervolino, aims to manage the image and marketing of celebrities in Italy. It does so by concluding contracts with television broadcasters for the participation of international actors in television programmes. This activity is carried out by the wholly owned subsidiary, R.E.D. Carpet S.r.l.

In the first half of 2021, Red Carpet confirmed the positive trend achieved in the second half of 2020, despite the pandemic. In fact, during these months, the Company managed to retain

its past customers and to acquire new ones and opening up new scenarios with the latter. The main objectives achieved are as follows:

- individual projects carried out: approximately 50;
- total customers managed: approximately 35;
- total new customers acquired: 20;
- total talent contracted: approximately 70;
- total turnover: € 2,442 thousand.

The Issuer consolidated its partnerships with its long-standing customers of the media and broadcast sector (e.g. Mediacom, Mindshare, Fascino, Rai) by collaborating in valuable activities for customers such as Ferrero, Bolton (digital/social activities) and started new partnerships with Disney+, Amazon Prime Video, Mc Donald's and the Sicily Region. The following are the most important activities in the first half of 2021:

- Disney+ relied on Red Carpet to identify a Testimonial for the launch of the new STAR section within the Platform; for this important television commercial, we identified and hired Andrea Pirlo as the perfect Ambassador and ideal face to work alongside the actor Stefano Fresi. The commercial was produced by Groenlandia Film, directed by Sidney Sibilia. At the launch of Star, A. Pirlo shared also original content on its official social accounts.
- Rai Pubblicità with which Red collaborated in the Brand Integration project "The Unbreakable", hiring the international star James Blunt to participate in an event at the lighting of the Olympic torch at the Tokyo Olympics. The British singer-songwriter accompanies an unprecedented and exciting monologue of five Olympic champions participating in the cross-media project "The Unbreakable", developed from an original format of The&Partnership: Bebe Vio, Arianna Fontana, Clemente Russo, Vanessa Ferrari, Francesca Piccinini, ordinary people who have faced and overcome physical or emotional challenges with courage, and have dealt with failure or adversity by becoming stronger than before.
- Filming of the *See Sicily* commercial for the Sicilian Region aimed at promoting tourism during the 2021-summer season: the collaboration was confirmed through the subsequent engagement for the development of a second commercial dedicated to the Bellini Festival. In particular, Red Carpet collaborated with Itaca Comunicazione for the selection of talents for the new national and international ADV campaign of the Region. Red Carpet has identified four Sicilian personalities as testimonials for the promotional videos of the Region: Eleonora Abbagnato, Colapesce and Dimartino, Nicole Grimaudo and Carlotta Ferlito. The commercials were filmed in places highly representative of the Sicilian essence and made to relaunch tourism in the island after the health emergency. The cross-media campaign, on air starting from 6 June, broadcast on the main Italian television networks (RAI, Mediaset, Sky, Discovery, TV2000 and LA7), out-of-home advertising in many cities of the country and tabular advertising in national and international newspapers.
- Sport e Salute entrusted the Company with the communication, the "brand identity" and the special activities related to the launch of the Street Skate Boarding World Championships, held in Rome in May 2021. This involved creating content for social channels, activating media partnerships and involving influencers and personalities from the entertainment.
- Through the collaboration with Lebonski Management (a company that holds the image and music rights of Salmo), the creation of our first musical documentary during the Water World Music Festival, a music event organized by LBNSK360, record label of

the rapper Salmo, which was held on Sunday 25 July 2021 off the coast of Marina di Cala dei Sardi, a bay of the Costa Smeralda located in the Gulf of Cugnana (Olbia, Sardinia). The rights to the documentary were sold to Amazon Prime Video Italia. One of the activities carried out was finding sponsors for the event including 2 of our new customers as Title Sponsors - Mini and main sponsor - GLO Italia. A real Boat Party: a floating stage set up in the middle of the sea, to host the performances of various Italian artists of the moment, including the host: Salmo. The public attended the concert on board about 200 boats that were positioned around the stage, forming a real arena on the sea.

- Red Carpet also confirmed its partnership with Ferrero in 2021, developing various social activities during these months for the different brands of the group, in different moments of communication: Kinder Cioccolato, Kinder Pentolaccia, Kinder Applaydu, Nutella Day, Nutella Biscuits. La Pina, Rudy Zerbi, Daniela Collu, Federico Russo, Juliana Moreira, Alessia Mancini and Guglielmo Scilla are just some of the talents who have embraced the philosophy of the Ferrero Group.
- The Company has identified Willwoosh (Guglielmo Scilla) to perfectly embody the #iovivoOriginal campaign, conceived by the customer Borotalco. The activity was developed on the official social media profiles of the brand and Talent, which involved the fan base in a survey and a competition using the Twitch platform.

Digital and ADV activities saw a significant increase, acquiring new customers such as McDonald's, Dixan, ACE Candeggina, Tempo and Dyson. In particular:

- Mc Donald's: Red Carpet consolidated its collaboration with McDonald's through various projects. First of all through the involvement of Frank Matano for the campaign dedicated to the McDrive service; subsequently through creating and implementing the Mc Chicken Challenge project, involving Frank Matano, Guglielmo Scilla, Tess Masazza and Valeria Angione; finally, an event entirely dedicated to the McChicken Variation activity in collaboration with Giallo Zafferano, where we involved the talented Guglielmo Scilla to act as speaker.
- Dixan: Red Carpet identified Laura Chiatti as the new 2021 campaign testimonial, supporting the brand in the management, contracting and logistics of the TV commercial.
- ACE Candeggina: Red Carpet for the communication campaign identified three talent couples: Marco Fantini/Beatrice Valli, Edoardo Stoppa/Juliana Moreira and Andrea Dianetti/Adriano Bettinelli. The creativity "The Switch" was developed on a very entertaining concept: in fact, the couples challenged each other on some household chores, including doing laundry with Ace Gentile.
- Tempo: Red Carpet scouted for the communication campaign of the Tempo brand "Boys do cry", with the choice of Julia Elle as talent. The goal of the campaign was to debunk the concept that people should, mistakenly, keep everything inside... avoiding to cry. The content was shared on the profile www.instagram.com/disperatamentemamma.
- Dyson: Red Carpet won the trust of the British brand, obtaining several engagements during the year. We supported the brand in celebrity endorsement activities to promote different products related to the "Personal Care" and "Floor Care" areas. Products were promoted by very famous actors such as: Vanessa Ferrari, Carolina Crescentini, Luca Argentero, Greta Ferro, Matteo Curti, Cristina Marino, Willwoosh and Eva Riccobono.

In the frame of this activity, contracts entered into between the Issuer and its customers, as just described above, are punctual only though repeated collaborations with the above-mentioned parties result in informal partnerships. The Issuer expects a growth in revenues deriving from this activity in the next years to come though no public results forecasts are made.

5.2.7 The Company's marketing business

The Issuer's marketing business unit, for which Edvige De Tommaso is responsible, essentially performs three main functions:

- the first is aimed at supporting the executives in the selection phase of the concept and the characteristics of the productions to be made. As ILBE's business model relies on the creation of Audiovisual Works that meet the tastes of the moment of the international public. This market-oriented strategy requires careful market analysis and product positioning, to mitigate the risk of failure potentially deriving from an incorrect assessment of the expectations of the global public. With this in mind, the marketing function supports the Issuer in the choice of the project through its knowledge of the international market, with market analyses and the study of the distribution channels to which the product is intended, which can be cinema, home video, television, digital platforms;
- the second function is to assist executives in the distribution phase of the Issuer's productions, which are marketed on the international market, essentially to Sales Agents and, to a lesser extent, directly to digital platforms. The marketing activities start substantially from the pre-preparation phase, given that the Rights on the Audiovisual Works are normally pre-sold or pre-licensed to finance, through the granting of the Guaranteed Minimums, the creation of the works;
- in addition, the Issuer's marketing is also involved in the creation of materials that can be used by Sales Agents for their distribution activities on local markets.

As regards the first function, the Company's marketing supports Andrea Iervolino in choosing the international professionals of the film sector (mainly actors and directors) to be involved in the productions. Of particular importance in the choice is also the evaluation of the rating of these professionals accrued on the IMDB platform (Internet Movie Data Base), a tool particularly used in the US market. This evaluation makes it possible to know how much an actor is required at that particular moment and consequently essential to offer added value to the audiovisual project. Furthermore, it is important to pay attention in terms of marketing also to other elements that also increase the so-called production value of the Film, i.e., everything that makes, in the eyes of buyers, a noteworthy project: photography, sets, costumes and equipment used to create the shots, camera movements and links. The latter will allow for optimal editing in post-production.

In order to identify trends in public appreciation, ILBE pays particular attention to the evolution of the digital platform market, within which it has identified trends that are considered particularly important in order to create an offer that meets the demand of the end user.

The response of the new generations (so-called Millennials and Plurals) has tended to show a drop in the attention threshold in viewing content, with a time span of attention for content not exceeding 5 minutes. This has led the Issuer to orient itself also towards the short series market, combining it with the experience gained by the Company's CEO on digital

entertainment platforms (TaTaTu) and on the genre of animation (such as, for example, Arctic Justice), producing short-length serial content, using the web and the new digital streaming platforms as its distribution channel.

However, ILBE also shows a strategic interest in the heterogeneity of the product, focusing on themes with a higher cultural value and attentive to human values, so as to be able to include within its target audience also a more adult target, producing films based on Nobel Prize-winning authors, films aimed at raising awareness of minorities, biographical and historical films.

As regards support in the marketing phase of the products, the marketing function of the Company essentially works alongside Andrea Iervolino in the presentation of the productions, also on the basis of the activity carried out in the product selection phase. The Issuer also carries out web marketing and social media marketing activities by engaging in the promotion of the Company on its reference channels: Official Website – Facebook – Twitter – Instagram – YouTube, Google.

Lastly, as regards the creation of marketing materials, the related function, depending on the reference market, prepares the marketing material that can give the Sales Agent (such as, for example, AMBI Distribution, Millennium Media) the tools for researching the appropriate distributor for each territory. In the case of digital platforms, it is always essential to take into consideration the target audience represented by a younger audience.

With this in mind, the role of the marketing manager within the production of Audiovisual Works (i.e., Unit Publicist) starts from the research of the Unit Photographer (still photographer) and of the BTS Video Maker (backstage video), who will collect what happens during the filming process by building a sort of diary in photographic and audiovisual images together with interviews with the protagonists and photos special useful for the creation of the movie poster. In addition, a dedicated press office is usually created for the Set Visit (visit to the set by sector journalists, both for television and print media) and any unpublished images dedicated to the set.

Once filming is complete, the Unit Publicist will collect all the information that will become promotional material useful for P&A (Press & Advertising) distributions. A good delivery in terms of marketing material and the success resulting therefrom is mainly given by the ability to choose, in the case of an excellent script, of the director, cast and workers.

5.2.8 Research and development

Since 2018, the Issuer has been carrying out research and development activities, focused on the conception, study, design and prototyping of new advanced processing methods applicable to short animation content, bearing in mind that the attention time of the newer generations notably on social media ("Millennials and Plurals") leans towards 5 minutes but that they demand quality content.

Research and development for the year were activities of maintenance nature on the release of the IP 0.2.1 pipeline, in particular on the following aspects of the hardware and software of the production process:

- Software:

Teradici & Nomachine: software applications that allow users to remotely access their workstation. Each user is assigned unique access credentials to access the workstation.

Teradici was distributed mainly for FX, SHF, Lighting and Compositing activities, while Nomachine was distributed for the other activities: Asset Development, Layout, Animation, Rendering and Production Support Supervision.

Ase-Sync: is the instrument for the synchronization of data between all users, thus allowing them to work on their workstations remotely. This instrument synchronizes project data securely between our internal memory and the user's workstation. This instrument optimizes the organizational process.

WFH (Work From Home) Asset and Shot Publish: a publishing instrument for users of the Asset and Animation department who work in smart-working mode to publish data in the pipeline from their home workstation.

ASE Player: a proprietary multimedia player (ASE Player) that connects directly to ATOM. This multimedia player allows different departments to review content directly within the pipeline and propagates the notes directly to the interested and relevant parties without leaving the ATOM environment.

- Hardware and network:

Firewall: the firewall supports over 350 network users for remote and secure access to workstations.

Bandwidth: the width is 500 Mbps for easier connectivity among all.

Isilon archive: the Isilon archive server provides 400 TB of data.

5.3 The Company's strategy

The Company's strategy is essentially based, as regards the film production activity, on:

- keep on focusing on the production of quality IPs with the possibility of perpetual exploitation;
- further realization of International Standing Film Productions and animated Web Series;
- the co-production of films with players of international standing, notably by expanding the Issuer's services offering;
- further production of animated Web Series;
- the marketing, in favorable terms, of the existing library and that under construction;
- to achieve those goals, the Issuer will consider M&A opportunities;
- taking advantage of the IP on Animation Pipeline.

Furthermore, in the Digital Advertising sector, the Company intends to focus its activities on advertising aimed at end users and on premium advertising content, with an offer structured by vertical channels.

In order to achieve these strategic objectives, the Company intends, in the future, mainly to:

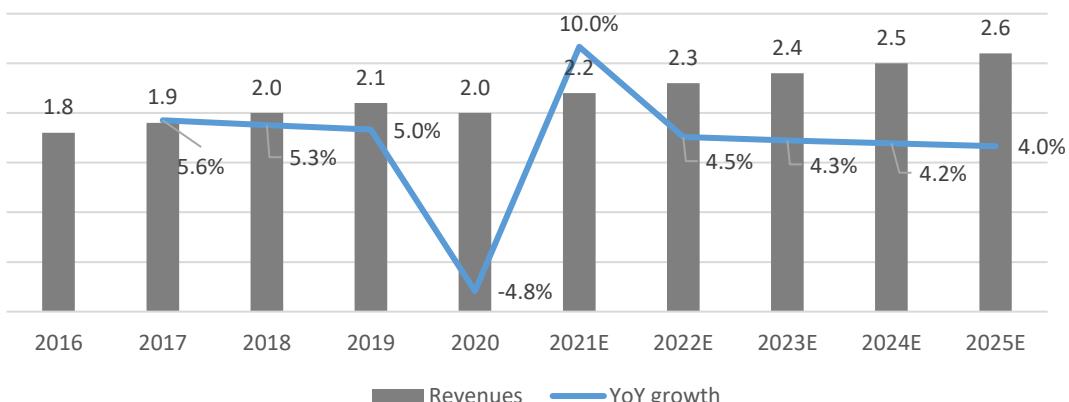
- obtain the rights for the realization of Audiovisual Works on quality Intellectual Property (subjects, scripts, rights to characters from animated series, prequel or sequel rights, etc.), which can give content and prestige to their productions and make them attractive for internationally renowned actors and directors;
- consolidate relationships with internationally renowned actors and directors, through the conclusion of contracts, including long-term contracts, to ensure their performance in the context of their productions;
- open a representation office in Los Angeles, enabling the Issuer to have a direct presence in the main world cinema market and to be able to further consolidate relations with actors and directors, also being able to be constantly updated on the main market developments²¹;
- create and consolidate relationships with international advertising agencies in order to increase advertising sales for the platform for which it currently mainly operates and, where the opportunity arises, to increase its clientele.

²¹ This opening would imply a very limited number of hires.

5.4 The market in which the Company operates

5.4.1 The wider markets for Entertainment and Media: a brief outlook

The Issuer's business, taken in all its respects (i.e. taking into account star/artistic management and digital advertising and marketing) take place in the wider global market for Entertainment and Media. It is an estimated \$2tn market and though it suffered from its sharpest decrease in growth for long in 2020 at -4.8% vs 2019, suffering from the COVID 2019 pandemic, it is still expected to grow at a CAGR of 5% over the 2020-2025 period.²²



In a fast evolving environment, digital consumption habits have been even more shaken by the occurrence of the COVID 19 pandemic and the arrival of new consumers represented by generation Z (aka Plurals). These new generations are keener to watch sport, e-sport, play videogames and stream music and short formats on social media than watching TV and films, even on SVOD platforms. According to Deloitte²³, the three critical issues to be tackled by Entertainment and Media players are (i) to renew the focus on customers' needs by developing content windowing, tiered pricing, tailored services and social experience; (ii) to make converge and remix entertainment experiences due to an ever more blur line of separation between content and distribution channels that should lead to new bundles offering; (iii) to reposition so as to monetize advanced wireless networks with the advent of 5G, notably via the mobile advertising.

Thus the global advertising sector, which estimated value is about \$600bn worldwide at the end of 2020, should experience a 6.5% CAGR over the 2020-2025 period mainly fed by digital advertising on the Internet and specifically on mobile devices.²⁴

Altogether, the segments of the Entertainment and Media on which the Issuer operate are set to grow at a steady CAGR by 2025²⁵:

- TV advertising at 4%;
- Internet advertising at 8%;
- OTT videos at 10%;

²² Source: PwC, *Perspectives from the Global Entertainment & Media Outlook 2021-2025*, 2021; Statista, Statistics, *Value of the global entertainment and media market, 2011-2024*, 2021.

²³ 2021 outlook for the US telecommunications, media, and entertainment industry

²⁴ Source: PwC, *Perspectives from the Global Entertainment & Media Outlook 2021-2025*, 2021.

²⁵ *Ibid.*

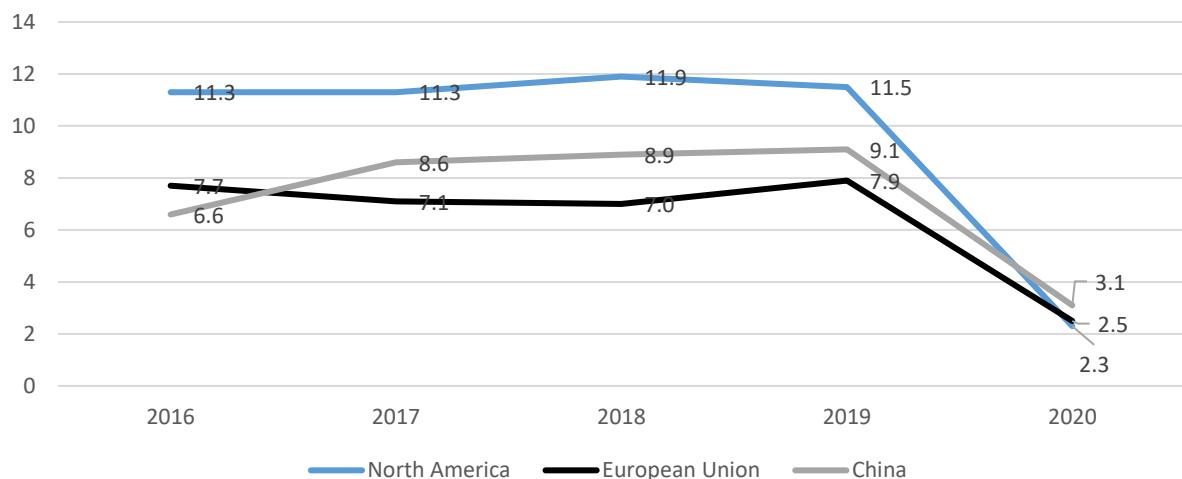
- Out-of-home advertising at 11%; and
- Cinema at 29%.

5.4.2 The markets for audiovisual content production: an overview on recent trends

5.4.2.1 Traditional downstream markets: cinema distributors in the storm

The distribution sector of the film industry has undergone a profound transformation in recent years, linked to the development of digital technologies (internet bandwidth, in particular on mobile devices), which have expanded the ways of consuming content and consequently also the sources of revenues for production companies.

The theaters' revenues influence part of the film production market, as they are the traditional output for the film production industry and these physical distributors traditionally contribute to the financing of productions via advances to production known as guaranteed minimums.²⁶ Over the year 2020, worldwide revenues from movie theaters amounted to \$12.2bln: a decrease of 71% compared to 2019. In more details, the Chinese market for movie theaters entries decreased by 66% at \$3.1bn in 2020 vs. 2019, the decrease sets at 80% for \$2.3bn in Northern America, while these figures in the EU set at a decrease 70% at \$2.5bn over the same period. In all those geographies, movies theaters went through forced shutdowns between 6-8 months due to the COVID 19 pandemic. It is not clear yet whether theaters will recover from the COVID 19 shock and reach again their pre-crisis levels, but it seems that



recovery has only been partial in H1 2021.²⁷

Box office evolution in North America, China and the European Union, (\$bn)²⁸

The above figure shows that all the three main world geographies suffered from COVID 19 restrictions in roughly the same proportions. It is also interesting to note two other takeaways deriving from this graph: the Chinese theater market is more important than the European one since 2017 and even tops North America's in 2020 on the one hand. On the other hand, revenues from cinemas have been lagging over the period in both North America and the EU, a phenomenon that is likely to link with the development of Platforms such as Netflix, Apple TV, Amazon Prime, Disney+, etc. These two lessons are in line with the Issuer strategy, which

²⁶ As explained above in section [] of this Information document.

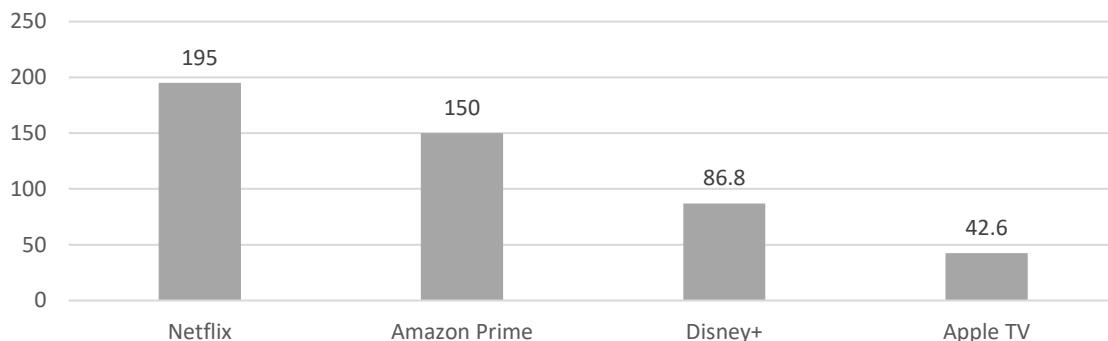
²⁷ For example, cinemas' sales in France during the summer 2021 are about 30-35% below average vs. pre-COVID 19 crisis (*Les Echos*, "Fréquentation, l'été en yoyo du cinéma", 30 August 2021).

²⁸ Sources: Comscore, January 2021; UNIC, January 2021; European Audiovisual Observatory, January 2021.

focuses on short formats, starring family-friendly characters who express themselves by sounds (i.e. not in a given language) and can thereby address the widest international audience. The Issuer moreover targets Platforms' distribution as much as possible and will benefit from the Italian nationality of its productions to address the Chinese market and avoid quotas set forth by Chinese government directed towards American soft power. Although the Issuer did somehow suffered from the above mentioned fall in theaters' sales worldwide (as well as from delays in the production of traditional films), its recent focus on short animated formats that can be produced in remote and distributed via the platforms preserved it against as severe backlash from COVID 19, as its excellent H1 2021 figures show with sales increasing by 106% vs. H1 2020.

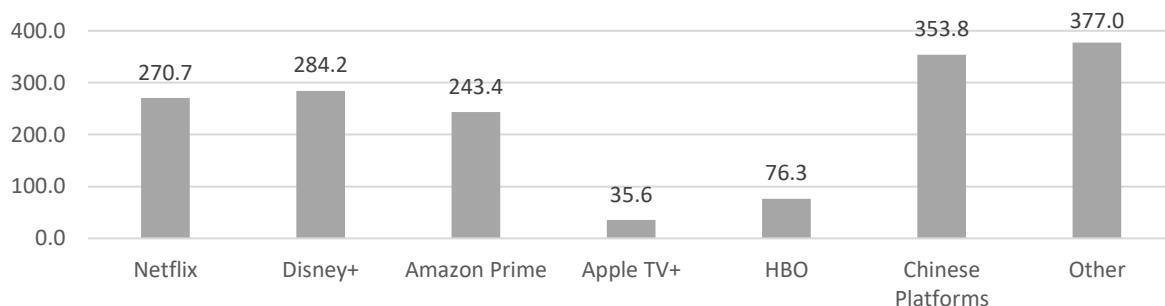
5.4.2.2 The VoD Platforms' surge: content creation financing is secured

Which leads to on-line distribution: the year 2020 and its lockdowns reinforced the on-going success of digital platforms, the main four of which cumulating about 500 million subscribers worldwide as at 31 December 2020, as follows:²⁹



Million users of the four main digital platforms as at December 2020, worldwide³⁰

These figures are forecasted to be multiplied by a factor 3 in 6 years to reach 1.64bn subscribers worldwide by 2026, spread out as follows:³¹



Million users by platforms 2026 forecast, worldwide³²

Such an impressive expansion of SVOD platforms market shares not only is the result of favorable changes in hardware, networks' bandwidth and changing consumption habits among new generations helped by the recent generalized lockdown periods, but also the result of a

²⁹ Sources: Netflix investors, January 2021; Disney's Q1 Earnings Results Webcast, February 2021; Digital Home Revolution, "Le nouvel ordre mondial de la SVOD", quoted by ZDNet, December 2020.

³⁰ *Ibid.*

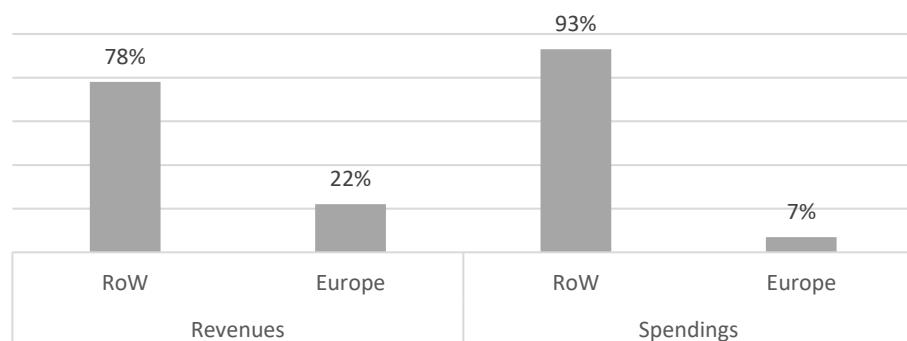
³¹ Digital TV Research Ltd, SVOD, October 2021.

³² *Ibid.*

voluntary investments in audiovisual content policy by the Platforms. It is thus estimated that Netflix spent \$17-19bn in content during the year 2020 vs \$15bn in 2019. Likewise, Disney announced in its abovementioned Q1 2021 report that it would invest \$14-16bn in audiovisual works by 2024. As a result, the global market for VoD is expected to reach \$85.8bn by the end of 2021 and the forecast 2021-2025 CAGR over 2021-2025 should be of 10.43%, resulting in a \$127.5bn market, end of period.³³

All the above supports a trend towards ever more spending in audiovisual content at global scale: while 2019 spend amounted to 1.8x the amount spent in 2008, it is forecasted to reach 2.3x that same value by 2025 with a 5%+ CAGR over the 2019-2025 period.³⁴

It is easy to understand that these trends will benefit audiovisual content creators like the Issuer, especially in Europe as (i) there is a current mismatch in proportion between spending made by Platforms in content produced in Europe and revenues flowing from European subscribers, as evidenced by the case of Netflix pictured in the graph below: a catch-up should take place to balance revenues and spending by geographies.



Netflix sources of revenues vs. spending in content by geographies: Europe and Rest of the World, 2020.³⁵

This catch-up will be spurred by the Audiovisual Media Services Directive revised in 2018 by the European Commission, which had to be transposed in national laws by September 2020. This regulation indeed compels Platforms operating in Europe to spend at least 30% of their European revenues in European content. Considering the Platforms' thirst for local, independent, quality content with distinctive IP, this should benefit European audiovisual content creators like the Issuer.

³³ Source: Statista, Digital Market, Digital Media, Market Highlights, Video-on-Demand, worldwide, October 2021.

³⁴ Source: Statista, Ampere analysis, 2020.

³⁵ Source: Netflix, FactSet.

5.5 Competitive landscape

To consider the Issuer's revenues against the backdrop of global audiovisual content producers is to remark that its market share is non-significant in a very fragmented market to date. It is however useful to place compare the Issuer positioning against its most natural comparables, understood in a way financial analysts of listed companies would select peers, rightly so or not. The below chart sums-up the different segments of the value chain on which peers listed on an Italian market operate³⁶:



On the international stage, the Issuer compares with peers that are generally much larger in size but all present on the distribution sector, what the Issuer seeks to avoid in accordance with its secured business model. Said comparables are represented in the below chart³⁷:

Company	International film production specialization	Web production	Animation production	International market footprint	Distribution
Universal	Strong	Strong	Strong	Strong	Strong
Walt Disney	Strong	Strong	Strong	Strong	Strong
Warner Bros	Strong	Strong	Strong	Strong	Strong
Sony	Strong	Strong	Strong	Strong	Strong
Lion's Gate	Strong	Strong	Strong	Strong	Strong
Dreamworks	Strong	Strong	Strong	Strong	Strong

³⁶ Source: Tradition Securities and Futures, Initiation of Coverage Iervolino Entertainment, November 2020.

³⁷ *Ibid.*



6. ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES AND SENIOR MANAGERS

6.1 Information on administrative, management and supervisory bodies and senior managers

6.1.1 Board of Directors

The Issuer's Board of Directors was appointed by the ordinary shareholders' meeting of 19 April 2021 and will remain in office until the date of the meeting called to approve the financial statements as at 31 December 2023. As at the date of this Information Document, the Board of Directors comprises 5 members.

The current members of the Board of Directors are as follows:

Position	Name and Surname	Place of birth	Date of birth
Chairman and CEO	Andrea Iervolino	Cassino (FR)	01/12/1987
Executive Finance Director	Giorgio Paglioni	Rome	02/10/1958
Director	Francesco D'Intino	Rome	01/09/1969
Independent Director (*)	Riccardo Tiscini	Rome	01/07/1970
Independent Director (*)	Roberto Di Mario	Velletri (RM)	27/07/1966

(*) Director in possession of the independence requirements provided for in Article 148, paragraph 3, of the Consolidated Italian Law on Finance.

The members of the Board of Directors are domiciled for the purpose of their office at the Issuer's registered office.

6.1.2 Board of Statutory Auditors

Pursuant to Article 41 of the Articles of Association, the Board of Statutory Auditors exercises the functions provided for in Article 2403 of the Italian Civil Code and comprises of 3 Regular Auditors and 2 Alternate Auditors who remain in office for three years.

The Board of Statutory Auditors in office was appointed by the ordinary meeting held on 19 April 2021 and shall remain in office until the approval of the financial statements as at 31 December 2023.

The current members of the Board of Statutory Auditors are as follows:

Position	Name and Surname	Place of birth	Date of birth
Chairman	Fabio Tinari	Rome	16/01/1967
Regular auditors	Fabrizio Marsala	Rome	04/02/1967
Regular auditors	Fabrizio Del Franco	Rome	24/05/1968
Alternate Auditors	Valentina Sorgente	Naples	27/01/1988
Alternate Auditors	Luigi Brizzi	Perugia	13/01/1957

The auditors are domiciled for the purpose of their office at the Issuer's registered office.

All members of the Board of Statutory Auditors are in possession of the integrity and professionalism requirements required by Article 2399 of the Italian Civil Code.

7. INFORMATION ON THE LISTING ON EURONEXT GROWTH PARIS AND ON THE SHARES TO BE ADMITTED ON EURONEXT GROWTH PARIS

7.1 Rationales underlying the secondary listing on Euronext Growth Paris

By requesting the admission of its Ordinary Shares on Euronext Growth Paris, the Issuer seeks:

- to increase its visibility towards French and international investors;
- set foot in the Paris' Entertainment & Media ecosystem where it may find business partners external growth development plans;
- to increase the liquidity of its Ordinary Shares.

The application for a secondary listing on Euronext Growth by way of a Direct Admission with Euronext Paris was approved of by the Issuer's Shareholders' Meeting on 23 June 2021 in its first resolution.

7.2 Characteristics of the shares to be admitted on Euronext Growth

The Issuer's share capital consists of 35 016 104 shares divided in two classes of shares:

- 24 016 104 Ordinary Shares giving right to one voting right each;
- 11 000 000 Multiple Voting Shares giving right to three voting rights each.

All shares give thus the right to vote in the Issuer's Shareholders' Meeting, are fully paid-up and indivisible.

The 24 016 104 Ordinary Shares, without indication of nominal value, are listed on the multilateral trading facility AIM Italia under the ISIN IT0005380602 and the ticker "IE" since the Issuer's IPO on 5 August 2019 and circulate in Monte Titoli. In accordance with Euronext Growth Rules, the Issuer requests the admission on Euronext Growth of all the Ordinary Shares.

All Multiple Voting Shares are held by IA Media, the holding company of Andrea Iervolino, co-founder, Chairman and CEO of the Issuer. The rules governing these 11 000 000 Multiple Voting Shares are set forth in Article 6 of the Issuer's Articles of Association are described in what follow.

On 8 July 2019, the Shareholders' Meeting of the Issuer amended the Issuer's Articles of Association to create 11 200 000 multiple voting shares, which are automatically converted into Ordinary Shares at the rate of one Ordinary Share for each Multiple Voting Share (without the need for a resolution either by the special meeting of shareholders holding Multiple Voting Shares or by the general meeting of the Company) in the event of the: (i) transfer to transferees other than holders of Multiple Voting Shares, except in the case in which the transferee is a controlling subject or, controlled by or subject to common control with, the transferor, it being understood that, in such cases, if the transferee loses the status of controlling entity, controlled by or subject to common control with the transferor, all the multiple voting shares held by the same will be automatically converted into Ordinary Shares, at the rate of one Ordinary Share for each Multiple Voting Share and (ii) change in control of the holder of Multiple Voting Shares, where the parent company of the holder means the person who, in accordance with current legislation, is required to make communications on significant shareholdings.

Furthermore, the Multiple Voting Shares can be converted, in whole or in part and even in several tranches, into Ordinary Shares, at the rate of one Ordinary Share for each Multiple Voting Share, at the simple request of the holder of the same, to be sent to Chairman of the

Board of Directors of the Company and, in copy, to the Chairman of the Board of Statutory Auditors.

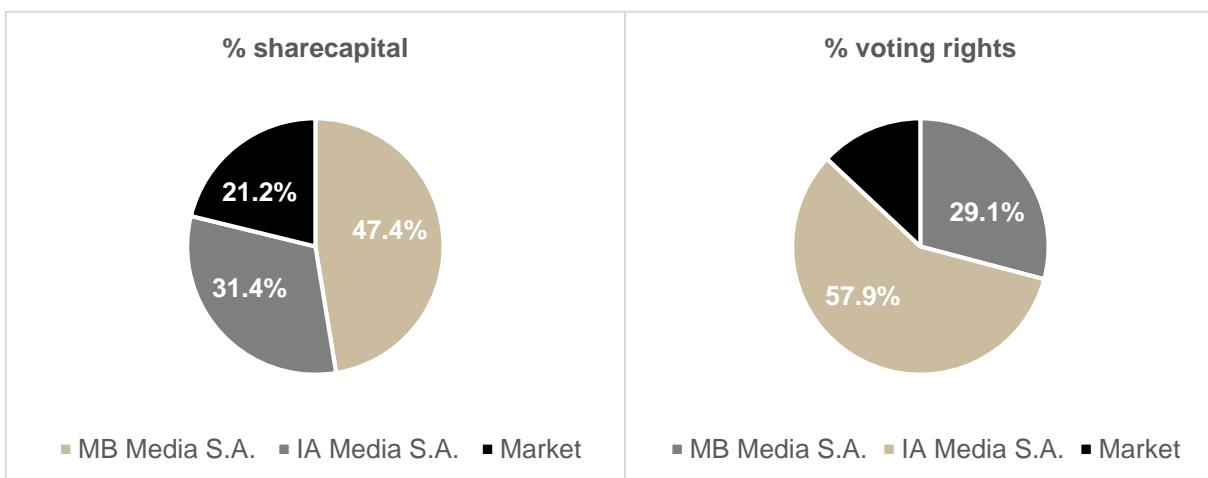
In any case, the Multiple Voting Shares are converted into Ordinary Shares after five years from the beginning of their possession by the holder, whilst the Ordinary Shares can in no case be converted into Multiple Voting Shares.

The below chart summarizes the characteristics of the shares for which admission on Euronext Growth Paris is requested:

Issuer	Iervolino & Lady Bacardi Entertainment SpA
Primary market	AIM Italia, Borsa Italiana (now Euronext)
Shares which admission is requested	100% of the Ordinary Shares
ISIN	IT0005380602
Ticker on AIM Italia	“IE”
Request for admission on	Euronext Growth Paris
Admission method	Technical admission
Expected number of Ordinary Shares to be admitted	24 016 104
3 months VWAP at the date of this Information Document	EUR3.14
Expected capitalization of Ordinary Shares	c. EUR75m
Expected total capitalization at the date of admission (incl. Multiple Voting Shares)	c. EUR110m
Desired trading symbol	“ALIE”

7.3 Ownership and stock price evolution

The below diagrams show the distribution of the Issuer's capital ownership and voting rights as at the date of this Information Document, including all classes of shares:



Please note that MB Media S.A. is a holding company with Lady Monika Bacardi as a ultimate beneficiary owner, and likewise with IA Media S.A. for Andrea Iervolino.

The below graph shows the Issuer's Ordinary Shares price evolution over the past 12 months³⁸:



7.4 Free transferability of shares

Reference shareholders' Ordinary Shares, i.e. MB Media S.A. and IA Media S.A. are the subject of lock-up agreements, entered into for a duration of 36 months at the date of the Issuer's IPO on AIM, starting from 5 August 2019.

It should thus be noted that, as at the date of this Information Document, and after a waiver was granted regarding 20% of the Ordinary Shares owned by MB Media, c.13.3 million Ordinary Shares, representing c. 55% of the Issuer's Ordinary Shares, could only be the subject of a transfer of ownership upon condition one or several waivers to said lock-up agreements are granted to the transferor. The lock-up agreements will, any case, terminate on 4 August 2022 at the latest.

Multiple Voting Shares, in the light of the above-described rules applicable to them and of the fact that they are not listed, are not freely transferable as long as they will not be converted into Ordinary Shares, according to the statutory rules provided by Article 6 of the Issuer's Articles of Association.

³⁸ As at 01/01/2022

8. LITIGATION

As at the date thereof, the Issuer is not involved in any litigation before any court.

9. MISCELLANEOUS

9.1 Listing Sponsor and Financial advisor for the listing

The Issuer is advised by Tradition Securities and Futures S.A. (“TSAF”) for the secondary listing of its Ordinary Shares on Euronext Growth Paris.

It has entered into a Listing Sponsor agreement with TSAF, in accordance with Euronext Growth Market Rules.

9.2 Liquidity provision agreement

The Issuer has entered into a Liquidity Provision Agreement with TSAF to ensure the liquidity of its Ordinary Shares on Euronext Growth Paris.

This Liquidity Provision Agreement will operate in accordance with the Accepted Market Practice for liquidity contracts on shares of the AMF in its decision n°2021-01 dated 22 June 2021.

Symmetrically, TSAF will enter into a Liquidity Provider Agreement with Euronext, according to this latter market rules.

**10. AUDITED YEARLY FINANCIAL CONSOLIDATED STATEMENTS AS AT 31
DECEMBER 2020**



IERVOLINO ENTERTAINMENT

Annual Consolidated Financial Report as at 31 December 2020

Parent Company: IERVOLINO ENTERTAINMENT S.p.A.

Registered office: Via Barberini n. 29 - 00187 - Rome

Registered in the Companies Register of: ROME

Tax code and VAT number: 11636381003

Registered in the Economic and Administrative Index (REA) of ROME no. RM-1318599

Subscribed share capital: €1,400,644.00 fully paid-up

REPORT ON OPERATIONS OF THE IERVOLINO ENTERTAINMENT GROUP FOR THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

- 1. Introduction**
- 2. Macroeconomic context and reference market**
- 3. IE Group business model**
- 4. Activities carried out in 2020**
- 5. Key figures and alternative performance indicators (APIs)**
- 6. Transactions with related parties**
- 7. Human resources**
- 8. Research and development**
- 9. Information on the main risks and uncertainties**
- 10. Significant events after the end of the financial year**
- 11. Business outlook**

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

Statement of consolidated financial position

Consolidated statement of comprehensive income

Statement of changes in consolidated shareholders' equity

Consolidated cash flow statement

- 1. Corporate information**
- 2. Main accounting standards**
- 3. Main changes in the scope of consolidation**
- 4. Operating Segments: Disclosure**
- 5. Explanatory notes**

REPORT OF THE INDEPENDENT AUDITORS EY S.p.A.

REPORT ON OPERATIONS OF THE IERVOLINO ENTERTAINMENT GROUP FOR THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

1. Introduction

The consolidated financial statements as at 31 December 2020 of the Iervolino Entertainment Group (hereinafter also the IE Group or Group) represent the first consolidated financial statements that include the equity investments recently acquired in full form, Arte Video S.r.l. and R.E.D. Carpet S.r.l., i.e. established, Iexchange S.r.l. and Iervolino Studios doo.

The consolidated financial statements as at 31 December 2020 closed with total revenues of €120,735 thousand, with a €40,725 thousand increase compared to the 2019 financial statements, which referred to the Parent Company alone (+51%).

In 2020, EBIT, before non-recurring charges for €741 thousand, was equal to €22,780 thousand, up by €133 thousand on 2019 (+1%). In 2020, compared to the previous year, government grants for research & development activities were not recognized as these were no longer received due to a change in legislation. In 2019, government grants were equal to approximately €4.6 million.

These excellent results are the result of our decision to invest in high-quality Intellectual Properties and to produce web series and films intended essentially for international markets and, mainly, for streaming. In this regard, the success of the films "The poison rose", "Waiting for the barbarians" and the first "Arctic Friends" and "Puffins" collections, at the top of the list of the Apple TV subscribers, has validated the choices made.

Conversely, the effects of the Covid-19 pandemic were limited and essentially consisted of (i) an increase in non-recurring costs for production in "smart-working" mode, equal approximately to €2,517 thousand, of which €740 thousand accrued in the year; (ii) a postponement of the production of films; and (iii) a postponement of the corresponding deliveries that has lengthened the cash generation cycle.

2. Macroeconomic context and reference market

Macroeconomic and market context

The macroeconomic context in 2020 was characterized by the impact of the marked slowdown in the global economy, particularly in the first half of the year, due to the restrictions placed on significant daily activities by the Authorities in almost all countries to counteract the spread of the Covid-19 infection.

This had a significant effect on the consumption of media products. During the lock-downs, in fact, the leisure time that people would otherwise have been spent at the cinema, in theatres, or at live events, was spent at home.

In this period of social isolation, it is not surprising that people have consumed large quantities of media products.

The 2020 Global Web Index found that video and show viewing is one of the fastest growing activities, especially among the younger generations.

In this context, users appear to be more inclined to invest in new subscription services, with almost a third of the younger generations considering the purchase of new subscriptions to streaming platforms, in particular Netflix, followed by Disney+.

Understandably, people are becoming increasingly concerned about how much time they are spending on their screens. Some research suggests that screen time in itself is not a cause for concern. Rather, it is the content we choose to consume that can have a significant impact on our psychological well-being.

Regardless of the type of content consumed, each generation relies more than ever on their devices to obtain information and entertainment, creating a huge opportunity for media companies to engage with the public.

Some considerations on future market trends

The marked slowdown of the global economy, due to the restrictions placed on a significant portion of daily activities by the Governments of most countries, has led to changes in the behaviours, activities and wishes of the public, some of which will, probably, last as they represent the acceleration of dynamics already underway.

These are the trends that, unlike the temporary ones, foreshadow the future. Among the trends most analysed by analysts and experts, even if still evolving and not yet consolidated, it is worth mentioning:

- ✓ the new frontiers of healthcare;
- ✓ the new mentality of the Millennials and of the new generations in general;
- ✓ the centrality of ESG factors (Environmental, Social and Governance).

The new frontiers of healthcare will probably be marked by changes in the regulatory framework that imply protection from some risks but also taking of risks. Provisions in support of this trend could give a boost to the development of new drugs, but also to genomics and high-precision medicine, while new rules aimed at protecting against risk could push new technologies able of ensuring more prepared health systems.

The new mentality of the Millennials and of the new generations in general consists in adopting an online approach in all fields, from e-commerce to entertainment and e-learning. Here, too, it is reasonable to think that the trend will outlast the pandemic and that, from the point of view of the investor, will reward companies with a solid digital footprint.

Finally, the commitment to and focus on environmental, social and governance aspects to promote a more sustainable society and economy, which are at the top of the agendas of the major players of our societies and economies.

The relevance of these factors lies in the increasing weight given to non-financial sustainability reporting ("social reporting"), which, together with an adequate communication policy in compliance with the principle of accountability, is an irreplaceable, globally recognized tools to establish a corporate identity.

The effects of the Covid-19 pandemic and future market trends on the activities of the IE Group

Trying to contextualize the macroeconomic effects and market trends outlined above, what follows

illustrates the effects on the activities of the IE Group.

a) Activities for the year 2020

With reference to the recent restrictions linked to the Covid-19 pandemic, the IE Group's productions, being mainly intended for streaming platforms, have undergone effects related to the planning of the shooting of the films Women Stories (formerly Together Now), Eddie & Sunny and State of Consciousness, which have been postponed with respect to the original production plan.

The smart-working operating mode (from home with technological adaptations) which, although costly due to technical adaptations, is to be considered as a non-recurring expense, an expanded workforce and, finally, the agreements reached with customer and suppliers to anticipate some deliveries of the web series Arctic Friends from 2021 to 2020, have offset the shooting delays.

The postponed shooting of the aforementioned films resulted in a significant financial commitment in the last quarter of the year, which has affected the net financial position at the end of the year, at the same time allowing the Group to maintain growth and development.

b) Business outlook

The productions of the IE Group will be increasingly focused on the use of streaming platforms and on content with a high social impact following the megatrends mentioned in the previous section on the evolution of the media market.

As these aspects already characterize the Group's core business, there are immediate expectations of increased growth opportunities.

3. IE Group business model

IE Group is a Global Production Group specialising in the production of film and television content including web series, films, TV shows and short TV shows. Boasting relationships with leading international partners, it interacts with internationally renowned actresses and actors to develop audiovisual productions intended for international distribution.

The contents of the IE Group's audiovisual productions are designed for the global market, with the participation of internationally renowned actors. The productions are usually shot directly in English.

The Group starts the production of film and television content after reaching agreements for the sale of international distribution rights that provide for the payment of a "guaranteed minimum", thus transferring the performance risk of the work to the international distributors.

The Group retains the intellectual property rights, which can be used in the years following the content production through remakes, sequels and other derivative products.

Revenues from the sale of the rights on audiovisual work are recognised on delivery of the work, while back-end revenues (variable in their entity according to the individual agreements) are recognised when realised in the years after the delivery of the work or the transfer of the corresponding rights. Government grant income is recognised at the time revenues from the sale of international distribution and back-end rights are realised, assuming their collection is reasonably certain.

The cost of sales for audiovisual work is essentially represented by the portion pertaining to the year of the amortisation of the work calculated according to the international accounting standard described in the notes, i.e. the "film forecast computation method", according to which the amortisation at the reporting date is calculated on the time horizon over which the intangible asset will generate revenues. The amortisation period, based on the specific characteristics of the current individual productions, is estimated over a time horizon of four years.

The Group's activities also include:

- ✓ service activities, i.e. executive production carried out for other producers;
- ✓ licensing of characters and pipelines (processes and processing methods for the production of short animated content);
- ✓ post-production, activity carried out by the subsidiary Arte Video S.r.l., which is also the official encoding house of Apple iTunes, GooglePlay, Sony Entertainment, Amazon, Microsoft, and Rakuten;
- ✓ celebrity management, casting and production of digital ADV content.

Revenues and profits deriving from these latter activities are recognised on an accrual basis based on the production carried out.

For IFRS 8 purposes, the activities carried out by the Group can be classified in three operating segments, the details of which are shown in note 3 of the financial statements:

- ✓ Film production, including service activities (production activities carried out on behalf of third parties - the end Intellectual Property is not owned by the Group) and post-production;
- ✓ Digital delivery activities;
- ✓ Celebrity management, casting and production of digital ADV content.

4. Activities carried out in 2020

Productions

With reference to operating activities, the following production activities of the Parent Company Iervolino Entertainment (IE) should be noted:

Arctic Friends (formerly Arctic Justice)



During the year, work continued on "Arctic Friends", a web series started in 2018, based on the animated film produced by Andrea Iervolino "Arctic Justice". The film was released under the title Arctic Dogs in US cinemas in 2019 and was among the three most viewed titles in the "lock-down" period on Netflix US.

The series consists of mini-episodes of 5 minutes each. For a better distribution of the product on global platforms, it was then decided, in agreement with the distributor, to use, as in other successful cases such as Minions and Tom and Jerry, a universal language consisting of sounds and noises, thus avoiding dubbing in the different local languages.

This series tells the exciting adventures in the life of Swifty, an Arctic fox who has finally reached his dream job: to be the best delivery dog at "Arctic Blast Delivery Service". With the help of his best friend, the polar bear PB, the exuberant red fox Jade and the ABDS team, this team is ready and determined to deliver whatever they are asked to. Constantly opposed by the nefarious mastermind, Otto Van Walrus, and his spiteful puffins, Swifty must outwit and defeat these baddies to make sure that all packages are delivered to their recipients.

During the year, 72 episodes were produced and delivered, resulting in the recognition of revenues for a total of €60,535 thousand (including the pertinent government grants) in addition to back-end revenues, revenues from production pipeline licensing and character licensing for a total of €13,565 (including the pertinent government grants).

The first three "Collections" (a Collection consisting of 4 episodes) began to be distributed on the Apple TV and Amazon Prime platforms at the beginning of September, for viewing in around 80 countries.

In particular, the distribution is for *Apple TV* in: Anguilla Antigua and Barbuda, Argentina, Armenia, Austria, Azerbaijan, Bahamas, Belarus, Belgium, Belize, Bermuda, Bolivia, Botswana, Brazil, British Virgin Islands, Brunei, Bulgaria, Cambodia, Canada, Cape Verde, Cayman Islands, Chile, Colombia, Costa Rica, Cyprus, Czech Republic, Denmark, Dominica, Dominican Republic, Ecuador, El Salvador, Estonia, Fiji, Finland, France, Gambia, Germany, Greece, Grenada, Guatemala, Guinea-Bissau,

Honduras, Hong Kong, Hungary, Ireland, Israel, Italy, Laos, Latvia, Lithuania, Luxembourg, Macau, Malta, Mauritius, Mexico, Micronesia, Moldova, Mongolia, Mozambique, Namibia, Netherlands, Nicaragua, Niger, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Saint Kitts and Nevis, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Swaziland, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Trinidad and Tobago, Turkmenistan, Uganda, United Kingdom, United States, Venezuela, Vietnam and Zimbabwe; while for *Amazon Prime*, the regions involved are the USA, UK, Japan and Germany.

The debut on Apple TV was significant: the first season of "Arctic Friends" was ranked second in Italy and first in the family-friendly segment.

The last 68 episodes are expected to be completed in 2021.



Puffins



"Puffins the series" is an animated web series, a spinoff of the family-friendly animated film "Arctic Justice". The episodes, lasting about 5 minutes each, will have as the main characters the puffins, the cute but spiteful creatures of "Arctic Justice".

In June 2020, an agreement was signed to hire Johnny Depp, who will lend his voice for the character Johnny Puff in the "Puffins", for 250 of the 5-minute episodes of the web series. As part of the agreement, Johnny Depp will be available to take part in promotional activities, advertising, interviews and press junkets.

The Company will also carry out merchandising activities focused on the Johnny Puff character, who will preserve the unique characteristics of the actor, and introduce them to the public internationally.

The debut on Apple TV was also significant for the Puffins, where the first season was ranked first in Italy in the family-friendly segment.

In 2020, 50 episodes were produced and delivered to the customer, resulting in the recognition of revenues for a total of €26,888 thousand (including pertinent government grants).

At least 60 episodes will be produced in 2021.

Waiting for the Barbarians

"Waiting for the Barbarians," starring Academy Award winner Mark Rylance (*Bridge of Spies*), Oscar nominee Johnny Depp (*Pirates of the Caribbean*, *The Chocolate Factory*, *Fantastic Beasts and Where to Find Them*), Robert Pattinson (*Twilight* and the latest *Batman*), Gana Bayarsaikhan (*Ex Machina*) and the internationally renowned Italian actress Greta Scacchi (*The girl in the fog*). The film was shot in Morocco and around Rome.

The film is based on the novel of the same name written by the 2003 Nobel laureate for literature, J.M. Coetzee, directed by Oscar nominee Ciro Guerra and with Oscar winner Mark Rylance, Johnny Depp and the *Twilight* saga star, Robert Pattinson.

The film is based on the crisis of conscience of the "Magistrate", a faithful servant of the Empire working in a small border town, who does his best to ignore an inevitable war with the "barbarians". After witnessing the cruel and unjust treatment of prisoners of war, he reconsiders his role in the regime and performs a quixotic act of rebellion.

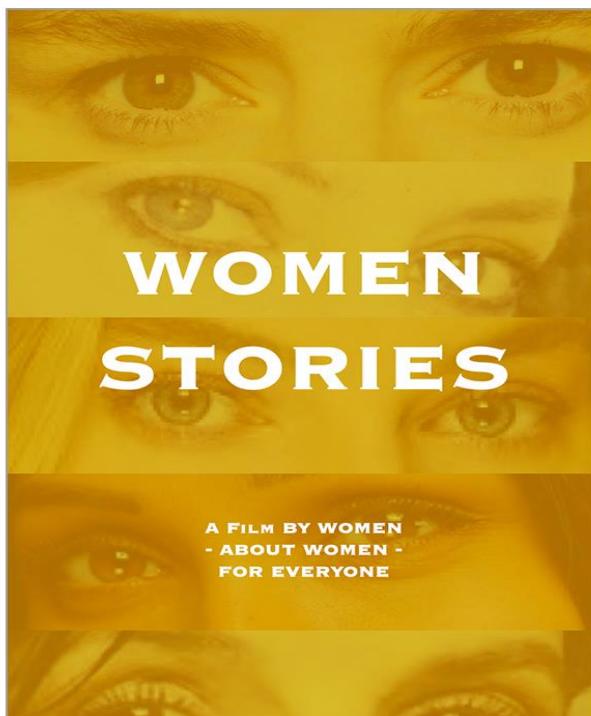


During the year, some international back-end rights were sold to third parties, and revenues from the distribution in Italy of the film already delivered to the customer in 2019 were realised. The release in Italian cinemas took place in September 2020 and the IE handled the distribution.

Total revenues realised in 2020 amounted to €6,515 thousand (including the pertinent government grants).

The film, in full trend with other majors such as Warner Bros and Universal, was released on 7 August 2020 on on-demand and digital platforms, in the USA and Canada, distributed by the American film distribution company Samuel Goldwyn. In its first weeks, it was among the five most viewed films on Apple TV in the United States. In early September, it was the first most viewed film on Apple TV in the UK. Also in Italy, in early March 2021, the film was the first most watched on Apple TV.

Women Stories (formerly Together now)



"Women Stories" is a live action and animation, all-female project produced by Iervolino Entertainment: this film consists of 5 shorts lasting 15 minutes each whose main theme is a story based on animation scenes that represent a significant part of the project. The film, directed by 5 female directors from different parts of the world, encompass different genres, ranging from drama to comedy to docudrama and animation, and starring actresses of international fame.

In 2020, the project entailed the recognition of revenues related to the production and delivery to the customer of three of the five segments of the film, "Unspoken", "Lagonegro" and "Sharing a Ride", for a total of €4,330 thousand (including the pertinent government grants)

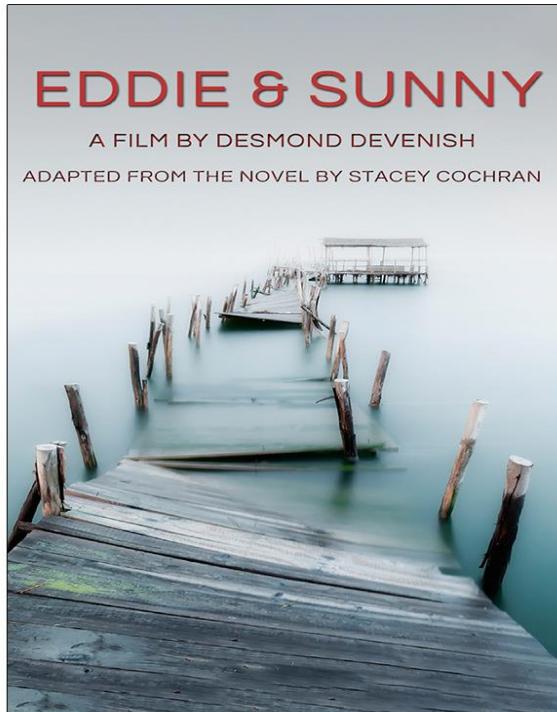
"Unspoken", shot in December 2019 in and around Rome, is directed by Maria Sole Tognazzi and stars Margherita Buy; "Lagonegro", shot in March 2020 near Anguillara Sabazia, is directed by the award-winning Argentine director Lucia Puenzo and stars Eva Longoria. Sharing a Ride, shot in October 2020 in Mumbai, is directed by Leena Yadav and stars Jacqueline Fernandez.

The fourth segment, "Elbows Deep", was filmed in January 2021 in Los Angeles, is directed by Catherine Hardwicke and stars Cara Delevingne and Oscar-winning actress Marcia Gay Harden.

The last segment, completing the film, will also be shot and delivered in 2021.

Eddie & Sunny

In the first half of the year, an agreement was signed with Paradox Studios LLC for the sale of the worldwide distribution rights for the film Eddie & Sunny.



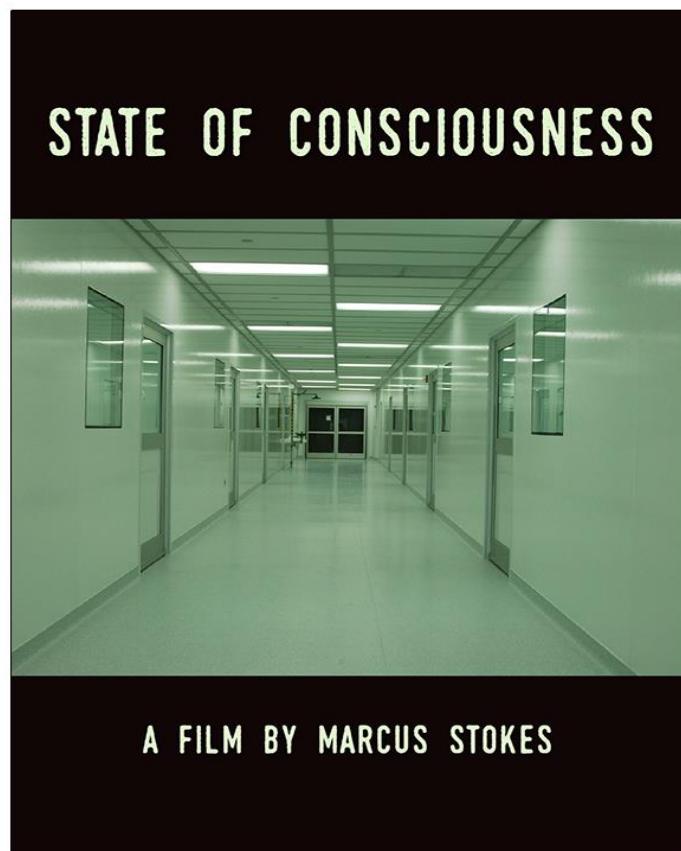
Eddie & Sunny is a film by the English director and screenwriter Desmond Devenish, based on the novel by Stacey Cochran, published in the USA with critical acclaim. The story is about an impulsive homeless couple who, to defend their teenage son, murders an affiliate of a drug cartel and is forced into hiding to escape their vengeance.

The agreement provides for guaranteed minimum revenues of \$4.6 million for Iervolino Entertainment, in addition to a share in the worldwide revenues of the film. The rights of use in Italy, however, remain the property of Iervolino Entertainment.

In the first half of the year, shooting began for the film directed by Desmond Devenish and starring US actor Gabriel Luna (known for his role in Terminator: Dark Fate).

Shooting resumed in the second half of September in and around Rome and then continued in Guatemala. The delivery of the film (2D part) in December led to the recognition of revenues of €2,260 thousand (including the pertinent government grants).

State of Consciousness



"State of Consciousness" is a film directed by Marcus Stokes, telling the story of Stephen (Emile Hirsch, known for his role in *Into the Wild*), an ordinary young man who has to manage a mental short circuit that detaches him from reality, finding himself forced to take drugs for a psychological disorder that he does not actually have. To regain his sanity and resume his normal life, his only chance will be to escape from the diabolical plans of Dr. Laura Fielder.

"State of Consciousness", like every film covered by the agreement with Paradox, is considered an Italian film and is therefore subject to the regulations on government grants and the rules on European quotas.

The agreement provides for revenues of at least \$4.8 million for IE, in addition to a share in the worldwide proceeds of the film. The rights of use in Italy, however, remain the property of IE.

This agreement is part of the framework agreement signed with Paradox Studios for the production of five films.

The delivery of the film is currently scheduled for 2021 and entailed the recognition of costs capitalized among intangible assets for a total of €2,303 thousand.

Belle Bimbe Addormentate [Beautiful Girls Asleep]

During the first half of the year, development of a new TV series, a thriller with the title "Belle Bimbe Addormentate" was started, for which Dario Argento is the showrunner. Dario Argento is also the director of the first episode.

After finalizing the story treatment of the series and the scripts of the individual episodes, the casting

and location search was started.

The series will be filmed in English for the national and international market. Shooting is scheduled to take place at the end of next year.

Post-production activities

Post-production activities are carried out by the subsidiary Arte Video S.r.l., official encoding house of Apple iTunes, GooglePlay, Sony Entertainment, Amazon, Microsoft and Rakuten.

The company has developed and realised projects in the production and post-production of films and videos, authoring for DVD and Bluray, encoding for VOD platforms, 2D/3D animation, using the most advanced technologies available on the market. Despite having the most recent technologies for the production of DCP (Digital Cinema Package) and KDM (decryption keys), due to the closure of cinemas following the decrees of the President of the Council of Ministers (DPCM), it has suspended production of the latter.

2020 was a year of change in the on-demand platform sector. The already consolidated experience as "Authorized Encoding House" of Apple iTunes, Google Play, Sony Entertainment, Amazon Prime Video, Microsoft, and Rakuten meant that the company was chosen for the creation of the new services for the public for the Apple and Amazon TV channels. In fact, Arte Video S.r.l. has created and still manages the Minerva Channel for Apple and different channels for the Amazon platform such as the Juventus Channel, Mediaset Infinity Channel; new channels such as Zelig, I-Wonder-Full, etc. are being planned. Arte Video S.r.l. is the only Italian company certified by Apple for the creation of film and TV channels packages.

The aggregators that rely on Arte Video for the management of film packages for the VOD platforms (WarnerBros, RaiCom, Minerva, Koch Media, CG ENT, AMBI, Sweet Chili Ent, Under The Milkyway, Pathè) have chosen the company for the quality of the controls carried out on video/film masters before they are placed on the market, a quality that makes Arte Video the Italian leader in the production of HD & UHD DVD and BluRay masters, the latter with Java technology, unique in its category on the Italian market and among the few on the international market. In this regard, in 2020, the film Parasite, winner of 4 Academy Awards, was made entirely in the company's studios and was produced for DVD, Bluray HD Java and BluRay UHD Java.

In addition to the above services, activities are also carried out in the film and animation post-production sector for cartoon series such as Puffins and Arctic Friends, including the management of 2D -> 3D coding for the different mobile devices on the market.

In the first half of 2020, the company mainly supported cinema distribution companies with the launch of films, which, due to Covid, were released not in theatres, but on the main digital platforms, thus allowing the public to view them in digital previews. The production of DVD, BluRay and Digital Cinema Packages was carried out in smaller quantities, giving the staff space to focus on the VOD service and on post-production of the Arctic Friends and Puffins series.

Casting, celebrity management and digital ADV content production

Casting, celebrity management and the production of digital ADV content are carried out by the subsidiary R.E.D. Carpet. In 2020, the activity refers only to the consolidation period of the second half of the year, which was significantly affected by the slowdowns due to the restrictions imposed to stem the pandemic. Therefore, revenues and profits were modest, but the acquisition of agreements was very successful. In fact, already in the first period of 2021, revenues and profits

increased significantly.

Internationalization: development of activities in the Republic of Serbia

In June 2020, Iervolino Entertainment signed a Memorandum of Understanding ("MoU") with the Serbian Republic for the production of web content in short format through Iervolino Studios d.o.o., the newly-established wholly-owned subsidiary incorporated under Serbian law, with offices in Belgrade and Novi Sad. The company had about 70 employees and 30 external contractors as at 31 December 2020, but this number is expected to increase as the production of both animated episodes and films with a combination of animated parts grows.

As part of this agreement, during the year, Iervolino Studios signed a MoU with Archangel Digital Studios, the Serbian company of the Serbian actor and producer Milos Bikovic (much appreciated in the former Yugoslavia and Russia, often awarded at national festivals), the core business of which is the production of animated content, for the licensing of the copyrights of the animated characters of "Arctic Justice", which will subsequently be regulated through special agreements signed between the parties and referring to individual works.

In this context, the first agreements were signed for the licensing of the copyright of the web series "Puffins". These agreements provide for Archangel Digital Studios to obtain the right to use the copyrights of the animated characters of the "Puffins" series ("Intellectual Properties") and to the production process ("Pipeline") of the animated web series by IE. The Iervolino Entertainment Group, for its part, will invest in the project and, through the Serbian subsidiary Iervolino Studios, will provide the production of the new episodes of the series called "Puffins: impossible".



Agreements were signed for the first 36 episodes, which, in 2020, generated revenues for the Iervolino Entertainment Group related to the service activities of approximately €2.7 million.

Closure of the Tatatu ADV business unit

During the first half of the year, the Tatatu ADV business unit was closed, which had carried out only limited activities, thus eliminating all activities with this related party.

Extraordinary finance transactions

Finalisation of the acquisition of 100% of the share capital of Artevideo S.r.l.

The acquisition of 100% of the share capital of Arte Video S.r.l. took place on 15 January 2020. The share, of a nominal value of €4,900, representing 49% of the share capital of Arte Video, was acquired through a capital increase reserved for Arte Video shareholders equal to 30,000 shares that they subscribed, conferring the remaining 49% of the share capital of Arte Video.

Acquisition of 100% of the share capital of R.E.D. Carpet S.r.l.

On 11 June 2020, an agreement was signed for the acquisition of 100% of the share capital of R.E.D. Carpet S.r.l. ("Red Carpet"), a company with legal and operational headquarters in Rome, a reference point in Italy for the selection of VIP castings for the main Italian television shows, which also operates as a creator of video content for television and web.

The transaction, for a total value of €300,000, was carried out, for a 51% share, through direct acquisition from the previous shareholders, and for the remaining share, through a share capital increase reserved for Red Carpet shareholders, with 26,250 shares subscribed transferring the remaining 49% of the share capital of Red Carpet.

Non-convertible 2021-2027 IE bond issue for €8,000,000

On 15 July 2020, the Parent Company Iervolino Entertainment placed a non-convertible, non-subordinated and unsecured bond issue, for a principal amount of €8,000,000, fully subscribed by Intesa Sanpaolo S.p.A.

The bond issue, finalized by virtue of the agreement signed by the issuing company, on one side, and Intesa Sanpaolo S.p.A., as initial subscriber of the notes, and Banca IMI S.p.A., as Arranger of the entire Transaction, on the other, took place through the issue of 80 notes of a nominal value of €100,000 each.

The unsecured bond issue was fully subscribed by Intesa Sanpaolo as part of the broader Basket Bond transaction launched in partnership with ELITE, the private market of the London Stock Exchange Group, providing integrated services and multi-stakeholder networks.

The Transaction was structured by Banca IMI S.p.A., the investment bank of the Intesa Sanpaolo Group. The notes, fully subscribed by Intesa Sanpaolo S.p.A., will be securitized and placed with institutional investors at a later date. The note issue is scheduled to be repaid according to an amortisation plan structured in 7 years including 2 pre-amortisation years. Interest on the notes, equal to 4.07% on an annual basis, will be paid out every six months and in arrears.

The bonds, unlisted, were issued in exemption from the obligation to publish an offer prospectus, pursuant to Art. 1, Par. 4, Regulation (EU) 2017/1129 and Art. 100 of the Consolidated Law on Finance. The Regulation of the bond provides, in particular, specific covenants of an economic-financial nature, related to compliance with predefined thresholds in terms of Net Financial Position/EBIT, Net Financial Position/Shareholders' Equity and EBIT/Gross interest.

As at 31 December 2020, these covenants had been fulfilled.

Conversion of the bond loan "Iervolino Entertainment S.p.A. Converting 3% 2019-2020"

On 23 December 2020, the date of the mandatory conversion into Iervolino Entertainment S.p.A. (IE) ordinary shares of the 77 bonds with a nominal value of €100,000 of the bond loan "Iervolino Entertainment S.p.A. Converting 3% 2019-2020", 1,589,825 new shares were issued at the conversion price of €4.8433. Therefore, the share capital of the Parent Company now consists of 24,016,104 ordinary shares, in addition to 11,000,000 multiple-vote shares.

	Current share capital			Previous share capital		
	Euro	No. Shares	Nom. Unit Value	Euro	No. Shares	Nom. Unit Value
Total, of which:	1,400,644	35,016,104	N/A	1,337,051	33,426,279	N/A
Ordinary shares (regular dividend entitlement), coupon number 1, ISIN IT0005380602	960,644	24,016,104	N/A	897,051	22,426,279	N/A
Ordinary shares (special dividend entitlement)	N/A	N/A	N/A	N/A	N/A	N/A
Class B shares (enhanced voting rights) (regular dividend entitlement) coupon number 1, ISIN IT005380669	440,000	11,000,000	N/A	440,000	11,000,000	N/A

It should be noted that, given the characteristics of the bond issue, there was no change in the shareholders' equity of the company since the issue was already recognized in equity in the financial statements as at 31 December 2019.

5. Key figures and alternative performance indicators (APIs)

The key figures described in this Report on Operations refer to the consolidated financial statements of the IE Group as at 31 December 2020, drafted according to the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union.

The report must therefore be read in conjunction with the Schedules of the consolidated financial statements and corresponding explanatory notes as at 31 December 2020.

In addition, in order to facilitate the understanding of the economic and financial performance of the Group, some alternative performance indicators have been included ("Alternative Performance Indicators" or API) to show the operating performance achieved.

For a correct interpretation of these APIs, the following should be noted:

- ✓ these indicators are based exclusively on historical data of the Group and are not indicative of its future performance;
- ✓ the APIs are not envisaged by IFRS and, although they are derived from the Group's consolidated financial statements, are not audited;
- ✓ the APIs should not be considered as a substitute for the indicators required by the reference accounting standards (IFRS);
- ✓ these APIs should be read alongside the financial information of the Group obtained from the Group comparative consolidated financial statements;
- ✓ as the indicators used by the Group do not derive from IFRS, their definition may not be the same as the one adopted by other groups and therefore may not be comparable with them;

- ✓ the APIs used by the Group are calculated with continuity and uniformity of definition and representation for the financial periods considered. Since amortisation of audiovisual works accounts for most of the Group's cost of sales, EBIT (gross of non-recurring charges) represents the indicator of operating income.

The economic performance of the consolidated operations for the period is described below:

	31/12/2020	31/12/2019*
Revenues	120,735	80,009
Operating costs	6,559	4,221
Personnel cost	1,730	393
Amortisation/depreciation, write-downs and provisions	89,665	52,748
EBIT	22,780	22,647
Non-recurring charges (recognised as amortisation)	741	-
EBIT net of non-recurring charges	22,040	22,647
Net financial charges	657	268
Pre-tax profit	21,382	22,380
Taxes	(1,884)	(2,130)
Net profit for the period	19,498	20,249

*Note: the financial statements as at 31 December 2020 are the first consolidated financial statements prepared by the Group; the comparative data provided are for Iervolino Entertainment S.p.A. alone.

The Group reclassified statement of financial position is provided below:

€/000	31/12/2020	31/12/2019*
Assets		
Non-current assets		
Intangible assets	68,057	49,219
Trademark	359	-
Goodwill	75	-
Tangible assets	214	6
Deferred tax assets	6,289	3,778
Equity investments recognised with the equity method	18	-
Other non-current assets	2,334	170
Total non-current assets	77,345	53,173
Current assets		
Trade receivables	16,787	20,200
Tax receivables	21,721	21,608
Current financial assets (investment funds)	4,348	-
Other current assets	6,367	151
Cash and cash equivalents	3,513	7,952
Total current assets	52,736	49,911
Total Assets	130,082	103,085
Shareholders' equity	67,041	47,650
Non-current liabilities		
Employee benefits	181	36
Deferred tax liabilities	117	-
Provisions for risks and charges	300	300
Non-current financial liabilities	18,108	1,048
Total non-current liabilities	18,706	1,384
Current liabilities		
Current financial liabilities	5,379	7,453
Trade payables	25,289	26,432
Tax payables	1,625	2,246
Contractual liabilities	2,980	10,558
Other current liabilities	9,062	7,360
Total current liabilities	44,335	54,050
Total liabilities	130,082	103,085

*Note: the financial statements as at 31 December 2020 are the first consolidated financial statements prepared by the Group; the comparative data provided are for Iervolino Entertainment S.p.A. alone.

The main Group equity and financial indicators are provided below:

Main equity and financial indicators - €/000	31/12/2020	31/12/2019*
Intangible assets (including trademarks and goodwill)	68,491	49,219
Tangible assets	214	6
Other non-current assets	8,641	3,949
Fixed assets	77,345	53,173
Receivables from customers	16,787	20,200
Due to suppliers	(25,289)	(26,432)
Other current assets/(liabilities)	14,421	1,594
NWC	5,919	(4,638)
Employee severance indemnity	(181)	(36)
Other non-current liabilities	(417)	(300)
NIC	82,667	48,199
Shareholders' equity	67,041	47,650
Cash and cash equivalents	(3,513)	(7,952)
Financial assets (investment funds)	(4,348)	-
Financial liabilities	23,487	8,501
NFP	15,626	549
Sources of funds	82,667	48,199

*Note: the financial statements as at 31 December 2020 are the first consolidated financial statements prepared by the Group; the comparative data provided are for Iervolino Entertainment S.p.A. alone.

The main indicators of the Group cash flow statement are provided below:

€/000	31/12/2020	31/12/2019*
A - Net cash flows generated/(used) by operating activities	68,782	46,282
B - Net cash flows generated/(used) by investment activities	(88,379)	(57,241)
C - Net cash flows generated/(used) by financing activities	15,158	18,759
D - Total cash flows generated/(used) in the year (A + B + C)	(4,439)	7,801
E - Cash and cash equivalents at the beginning of the year	7,952	151
F - Cash and cash equivalents at the end of the year	3,513	7,952

*Note: the financial statements as at 31 December 2020 are the first consolidated financial statements prepared by the Group; the comparative data provided are for Iervolino Entertainment S.p.A. alone.

A breakdown of the Group NFP is provided below:

Net financial position - €/000	31/12/2020	31/12/2019*
Cash and cash equivalents	(3,513)	(7,952)
Liquidity	(3,513)	(7,952)
Financial assets (investment funds)	(4,348)	-
Bank payables	23,487	8,270
Financial payables bond loan	-	231
Net financial debt	19,139	8,501
Debit NFP	15,626	549

*Note: the financial statements as at 31 December 2020 are the first consolidated financial statements prepared by the Group; the comparative data provided are for Iervolino Entertainment S.p.A. alone.

Management performance and economic and financial results

2020 closed with a Group net profit of €19,498 thousand, down by 4% on 2019, when the Parent Company alone had reported a net profit of €20,249 thousand.

From an operational standpoint, the EBIT of the Group before non-recurring charges was equal to €22,780 thousand, up by 1% compared to 2019, when the Parent Company alone had reported a value of €22,647 thousand. In 2020, compared to the previous year, government grants for research & development activities were not recognized as these were no longer received due to a change in legislation. In 2019, government grants were equal to approximately €4.6 million.

The result derives from revenues from the sale of the rights of the film works minus the related sales cost, essentially consisting of the amortisation of intangible assets (film works) equal to €90,406 thousand, given the low incidence of overhead costs, equal to €8,289 thousand.

From an economic point of view, 2020 EBIT was 19% of total revenues, which were equal to €120,735 thousand.

Operating revenues and income, including government grants recognized on an accrual basis with regard to the productions to which they refer, mainly relate to the productions Waiting For The Barbarians (€6,515 thousand), Arctic Friends (€74,100 thousand), Puffins (€26,888 thousand), Eddy & Sunny (€2,260 thousand) and Woman Stories (€4,330 thousand).

Film productions and web series productions account for 12% and 88% of revenues, respectively.

From a financial point of view, the net invested capital of the Iervolino Entertainment Group mainly consists of intangible assets (cinematic works, intellectual properties and other rights) for €68,491 thousand; other fixed assets were equal to €8,855 thousand while the net working capital was positive and equal to €5,919 thousand.

The resulting net invested capital was equal to €82,667 thousand, up by €34,468 thousand with respect to the level of the previous year (€48,199 thousand), which refers to the Parent Company alone, and is financed by the negative net financial position of €15,626 thousand and shareholders' equity of €67,040 thousand.

The net working capital of the Group was positive for €5,918 thousand, up on the level recorded in the previous year, which was negative and equal to €4,638 thousand.

Working capital mainly includes government grants for film productions, the monetisation of which, through the use to offset other taxes or assignment to authorised intermediaries, take place starting from the following year.

From a financial point of view, cash and cash equivalents as at 31 December 2020 were equal to €3,513 thousand, down by €4,439 thousand compared to the level at the beginning of the period (€7,951 thousand).

Adding the net difference between financial assets and liabilities to the balance of cash and cash equivalents, the net financial position as at 31 December 2020 shows a negative balance of €15,626 thousand, up by €15,077 thousand compared to the balance as at 31 December 2019.

The main investment and financial trends for the year underlying these balances are as follows:

The change in cash and cash equivalents, equal to €4,439 thousand, is the result of funds absorbed by financing activities (€3,601 thousand) and those absorbed by investment activities in audiovisual works (mainly Arctic Friends, Puffins, Puffins impossible, Eddy & Sunny and State of Consciousness) and in the preliminary activities towards future new productions (€31,138 thousand), which exceed the funds generated by operating activities (€22,499 thousand).

The following main financial and investment transactions were carried out during the year:

- ✓ Financial investments of €3,300 thousand to finance the production of ADS, which uses the "service" activities by the subsidiary Iervolino Studios. It should be noted that, adopting a more conservative interpretation and considering the ultimate underlying purpose of the transaction, this investment was recognised under current assets. Therefore, this amount was not included in the net financial position even though it formally represents a financial receivable;
- ✓ €6.2 million were repaid on the loan related to the Waiting For The Barbarians production;
- ✓ a financing transaction and subsequent sale of government grants for €4.1 million;
- ✓ the assignment without recourse of 2018 and 2019 VAT receivables for €1.6 million;
- ✓ the issue of the non-convertible, non-subordinated and unsecured bond for €8,000,000;
- ✓ two new medium-term loans for €4.1 million and €5.5 million, respectively, guaranteed by the assignment of government grants and, therefore, self-liquidating;

In addition to the aforementioned investment in current financial assets in Serbia, it should be noted that in the last quarter of 2020, on the one hand, there was an increase in productions (web series as well as the films Eddy & Sunny and State of Consciousness) and related payments and, on the other, there were delays in the applications for government grants, resulting in a delay in the corresponding assignment.

6. Transactions with related parties

The transactions of the Group with related parties are described below:

	Trade receivables €/000	Other assets €/000	Trade payables €/000	Other liabilities €/000	Revenues €/000	Costs €/000
TATATU S.p.A.	-	1,731	-	-	1,090	-
Total related party transactions	-	1,731	-	-	1,090	-
Total of financial statement items	16,787	113,295	25,289	37,752	120,735	98,695
Weight on financial statement items	0%	2%	0%	0%	1%	0%

The transactions carried out by the Group with related parties under market conditions mainly concern the consideration paid by TATATU Enterprises Ltd (now TATATU S.p.A.) to Iervolino Entertainment S.p.A. following the closure of the ADV business unit.

7. Human resources

The IE Group has a lean structure, with 72 permanent employees plus some independent contractors. In addition, some professional service providers have an ongoing relationship with the IE Group and in some cases have specific responsibilities for the purposes of Law 231/2001.

However, It should be noted that when the production of an audiovisual work begins, a considerable number of temporary workers are hired until its conclusion. During the year, 336 temporary employees were hired for the ongoing productions.

8. Research and development

The perimeter of the Research and Development activities (R&D) is defined with the criteria established in the 2015 OECD Frascati Manual "Guidelines for Collecting and Reporting Data on Research and Experimental Development", referred to in section 75 of the Communication of the European Commission "Framework for State aid for research and development and innovation" (2014/C 198/01), legal source of Article 3 of the Decree Law n. 145 of 23 December 2013. To be considered R&D, activities must fall within the list provided in the Manual which follows the Definitions, referred to in Par. 1.3, section 15, of the aforementioned "Framework for State aid for research and development and innovation", relating respectively to "fundamental research" (section m), "industrial research" (section q) and "experimental development" (section j).

These descriptions are also in line with the definition of R&D provided by the IAS/IFRS accounting standards.

In this context, and specifically in the "industrial research" context, (this being research aimed at creation or improvement of processes and products), starting from 2018 Iervolino Entertainment (IE) has launched a Research & Development project. Starting from the idea of developing a new production process in the animation field to achieve improved production of short animations both in qualitative and quantitative terms (production costs), Iervolino Entertainment has commissioned an external supplier, but with its supervision, for the project to study the ideation and the research of new and innovative working processes and methodologies (pipeline) for the production of short animated content lasting 5 minutes each intended for use on digital platforms. The internal technical staff will plan and coordinate the R&D activities, contributing actively to the development and

validation of the new processes.

The entire research project is based on the conception, study, design and prototyping of new advanced processing methods applicable to short content. This is because these new products are in line with the habits of use of social media by the new generations who favour video content consumption through web and social channels such as Instagram, Facebook, Youtube etc., but at the same time require high-quality products. The research activity carried out in the first half of 2020 started from the results obtained in 2019.

The contents of the project, articulated in different stages, can be identified in the conception, analysis, development and design of new processes, methodologies and production systems aimed at technological advancement and at identifying, studying and defining procedures that allow high productivity in order to offer the market products able to optimise the production cycle. This will allow prompt intervention, if necessary, on the uncertainty of the result, the timely analysis of the reduction of cycle time, the reduction of production costs, while maintaining a unique level of quality in digital production, the main factor of Iervolino Entertainment, which makes it unique internationally in the development of this innovative project.

The main reason for this Research & Development path is in the constant company need to keep up with global technological advancement by increasing the company know-how and technical knowledge and creating innovative processes capable of making operating margins competitive and increasing the quality standard of its products.

The aim of the project is to innovate the technical and technological solutions with reference to the production activity through the introduction of new and innovative process methods aimed at identifying, studying and defining automated procedures that allow high productivity, reducing production times and cost per minute and keeping the quality standards of the final product high in order to offer the market products capable of satisfying consumers more and more demanding.

The experimental activities planned and carried out within the overall project include:

- analysis, study, design, test and implementation of potential developments in production methods (pipeline);
- study and development of initiatives aimed at improving the production cycle;
- study of correct working and production times.

In general, the research and development activities use the technical staff of Iervolino Entertainment, creator of the project managed by the supervisor and product manager of the project, particularly experienced in animation movies. The external supplier of the commissioned research is the company Al Mashael Movies S.P.C., specialised in planned research and critical investigations aimed at acquiring new knowledge to be used in developing new products and/or improving the same, in existing processes or services or the creation of complex system components, necessary for industrial research and new products development. The company, with the consent and supervision of IE, has set up a JV with Assemblage Entertainment Private Ltd to perform the research and development activity commissioned by IE. Specifically, the activity is performed in the following stages:

RESEARCH, CONCEPT DEFINITION AND FEASIBILITY STUDY

- Analysis of the cost-effectiveness of the new project (pipeline) taking into consideration the assessments of the different functions and production;
- Identification of documentation in support to implementation (procedures, methods, cycles, drawings, acceptability criteria);

- Analysis of the digital model requirements;
- Implementation, analysis and verification of the studies carried out.

RESEARCH, STUDY AND DESIGN ACTIVITIES

- Use of internal experiences and skills and external consultants;
- Presentation of the project to the marketing/management function and consequent proposal of any changes by the technicians;
- Planning of the experimental activities of the design of short content tests and evaluation of the correspondence or inconsistency with the objectives;
- Processing the first episodes to define the technical/functional characteristics, keeping in mind the feasibility in the construction stage;
- Analysis and research of innovative solutions for the creation of the next new test episode;
- Carrying out preliminary checks (image quality, production times, production capacity and cost checks, etc.);
- Final verification and validation of the design.

PROTOTYPE EPISODE DEVELOPMENT AND EXPERIMENTATION

- Planning the activities related to the programming and implementation of production programmes;
- Monitoring of production stages;
- Evaluating the aesthetic and functional characteristics of the test sample in order to ensure the required quality at all stages of the process;
- Creation of the first prototype episodes;
- Checking the first test episodes by the corporate function responsible;
- Revision and possible modifications to the first test episodes, with consequent re-engineering, revision of the project and creation of new versions;
- Recording and production of the first episode to be proposed for market analysis.

In detail, for what concerns the current year, after having conceived and developed in 2019 the production process called Pipeline 0.2 with the implementation of the new software, ATOM (Animation Tracking Operations and Management), the R&D project encountered operational difficulties as the work restriction measures resulting from the outbreak of the Covid-19 pandemic forced a new working method in a smart-working environment.

In particular, in the initial stage, the hardware (workstations and components necessary) to work on the 0.2 pipeline with data pre-dumped (installed) on the physical systems were sent to the residences of the individual researchers. Subsequently, an Auto Sync Toolset integrated in the 0.2 pipeline was used to synchronize the data between the workstations and the central server, located in the Company's premises.

Lastly, utilities were purchased to allow researchers (with a main focus on Lighting, Rendering and Compositing) to integrate the work environment with the central server to communicate effectively with the software.

The activities carried out in 2020 for the implementation of the software / hardware that allowed the new release of the IP 0.2.1 pipeline to reach the desired levels of satisfaction are listed below:

Software:

Teradici & Nomachine: the production team distributed these two software applications to allow

users to remotely access their workstation. Each user has been assigned unique access credentials to access the workstation. Teradici was distributed mainly for FX, SHF, Lighting and Compositing activities, while Nomachine was distributed for the other activities: Asset Development, Layout, Animation, Rendering and Production Support Supervision.

Ase-Sync: during the initial lockdown stage our pipeline group developed a new tool for the synchronization of data between all users, thus allowing them to work on their workstations remotely. This tool synchronizes project data securely between our internal memory and the user's workstation. This tool was developed internally to optimise the organizational process.

WFH (Work From Home) Asset and Shot Publish: a completely new publishing tool was developed for users of the Asset and Animation department who work in smart-working mode to publish data in the pipeline from their home workstation.

OS / Pipeline Migration: one of the major problems of the Teradici software was the compatibility of the operating system. As a Company, we rely on the Centos6 system; Teradici works on the Centos7 system. As an immediate challenge, we were faced with the creation and maintenance of 2 pipelines since FX, SHF, Lighting and Compositing had to migrate to Centos7 before distribution. The codes were constructed considering future updates of the operating system and therefore the implementation of the new operating system for some departments was carried out without interruption.

ASE Player: we then started development in 2020 of a proprietary multimedia player (ASE Player) that connects directly to ATOM. This multimedia player allows different departments to review content directly within the pipeline and propagates the notes directly to the interested and relevant parties without leaving the ATOM environment. This is still in the prototype stage but it works and is currently operational in our IP 0.2.1 pipeline

Hardware and network:

New firewall: a redesigned firewall was deployed and the internal network was updated to support more than 350 network users for remote and secure access to workstations.

Increased bandwidth: to allow the transfer of such a high volume of data from remote workers to a studio, the bandwidth was increased from the original 150 Mbps to the current 500 Mbps for easier general connectivity.

New Isilon archive: as part of our efforts to protect data during the migration of many resources and scene files through the network, we purchased the new Isilon archive server, which provides an additional 400 TB of data. The new memory also provided faster performance than previous storage solutions.

Additional stand-alone servers: these servers were distributed to synchronize data between users and storage, as well as for synchronization between departments. In addition, each department used dedicated synchronization servers to load the balance of the department data transfer.

9. Information on the main risks and uncertainties

Financial risk management and management of the change in cash flows

Liquidity risk

Liquidity risk is related to the inability to obtain funds to settle payment obligations. It may derive from the insufficiency of the resources available to meet the financial obligations within the preset terms and due dates in the event of sudden revocation of the uncommitted credit lines or from the possibility that the company be required to meet its financial liabilities before their natural maturity. The Company, through a careful and prudent financial policy, which is reflected in the policy adopted, and the constant monitoring of both the ratio between credit lines granted and used and between short-term and medium/long-term debt, has acquired credit lines of adequate quality and quantity.

In recent years, the activity of IE has been characterized by rapid development, high growth and the acquisition of new intellectual property. In this context of business growth, characterized by a high use of liquidity, IE monitors the risk of a liquidity shortage using a financial planning tool.

Foreign exchange risk

The IE Group has a limited exposure to the financial risks associated with fluctuations in exchange rates, with reference to operations carried out with countries that are not part of the Eurozone. It should also be noted that almost all the receivables and payables are in the same foreign currency (US dollar).

The Group has not entered any exchange rate hedging transactions as the risk is significantly reduced by offsetting the costs incurred in the same currency as the revenues.

Interest rate risk

The Group has no derivative contracts in place to hedge the risks associated with fluctuations in interest rates since this risk exposure is marginal.

Market risk, credit risk and price risk

Risks related to the competitive and cyclical nature of the sector

One element that increasingly characterises the entertainment market is the growing importance of the content offered, which increasingly differs according to the transmission channels.

The Group is constantly looking for new formats and content to be created independently or through service agreements while retaining the ownership of the Intellectual Property in question. Furthermore, the productions are always financed on the basis of the so-called "guaranteed minimum" with relationships with international distributors and always responding to the demands of the general public, which can offer additional business opportunities in the merchandising channel.

Credit risk

IE carries out its business activities with parties that have a good credit standing. The risk that a counterparty might not fulfil its obligations as at 31 December 2020 is limited, even though significant credit concentrations exist. These concentrations concern those customers with which IE carries out recurring transactions.

IE maintains a high level of attention, through monthly controls, on the exposures to its customers to identify the most critical positions. Where necessary, the bad debt provision is supplemented through a specific assessment of the individual positions to align trade receivables with their presumed realisation value.

As at 31 December 2020, past due receivables were equal to 2% of total trade receivables and the

bad debt provision was equal to 40% of the total past due.

10. Significant events after the end of the financial year

No events or transactions that could impact these consolidated financial statements were reported after the end of the financial year.

11. Business outlook

The business will continue to grow following the guidelines of the business plan, which envisage a change in the focus of business priorities, balancing investments with activities with greater cash generation capacity, such as services (executive production) and character and pipeline licensing. The relative effects will begin to be felt from the second half of the current year.

In fact, financial liabilities at the start of 2021 were higher due to payments carried out in the last quarter of the previous year for the investments in Serbia, the film productions delayed to the final part of the year by the restrictions due to the pandemic, as well as delays in applications for government grants, which have resulted in a delay in the related assignment. It should also be noted that these investments were necessary to recover the pace of growth in a context that has been severely affected by the pandemic.

This new focus will entail, in particular for the Intellectual Properties of the web series, a greater use through the service activities and the licensing of characters and pipelines both in Italy and abroad. Therefore, these activities will generate the majority of revenues after the guaranteed minimum of the distribution activities. The following should be included in this context: (i) the activities of Iervolino Studios d.o.o. (Serbia) for the production of episodes related to the Puffins: Impossible web series, for which the production of several episodes is planned for the commissioning producer, in line with the development plan; (ii) the licensing of characters and processes and processing methods for animated production. With reference to new films, particular attention will be paid to timing of revenues.

In this context, in February 2021, the Parent Company signed an agreement with the international distribution company Wwps.TV Corp ("WWPS") for the production and distribution of four Italian films for the global market. This agreement provides for revenues for Iervolino Entertainment that can be estimated at approximately \$22 million, divided more or less equally between 2021 and 2022. In this context, two agreements were signed in February, respectively with UNIVERSAL PICTURES, the historic US film production and distribution company, and with the distribution company WWPS, for the sale of the distribution rights of the film "Dakota" for a total of approximately \$6,250,000.

Further episodes of the film Women Stories and the film State of Consciousness are also scheduled to be completed in 2021.

Other initiatives are underway and they are expected to materialize in the first half of the year.

Lastly, as regards the investees R.E.D. Carpet, Arte Video and Iervolino Studios, the related activities in the respective operating segments envisaged by IFRS 8 are expected to grow significantly.

In light of the above, revenues and capitalized works are expected to grow in 2021. The new activities will be financed with dedicated and therefore self-liquidating loans. With regard to profits, also in consideration of the general performance of the market, a more moderate increase is expected.

Rome, 19 March 2021

For the Board of Directors

The Chairman
Andrea Iervolino



Consolidated Financial Statements and Explanatory Notes

31 December 2020

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**Consolidated statement of financial position
as at 31 December 2020 - values in euro thousands**

	Notes	31-dic-20	of which related parties	31-dic-19 *	of which related parties
Assets					
Non-current assets					
Intangible assets	Note 5	68,057	-	49,219	-
Finished productions		40,725	-	31,461	-
Production in progress		5,401	-	4,942	-
Misc. rights		21,806	-	12,817	-
Other intangible assets		124	-	-	-
Trademark	Note 6	359	-	-	-
Goodwill	Note 6	75	-	-	-
Tangible assets	Note 7	214	-	6	-
Deferred tax assets	Note 8	6,289	-	3,778	-
Equity investments recognised with the equity method	Note 9	18	-	-	-
Other non-current assets	Note 10	2,334	1,731	170	-
Total non-current assets		77,345	1,731	53,173	-
Current assets					
Trade receivables	Note 11	16,787	-	20,200	743
Tax receivables	Note 12	21,721	-	21,608	-
Current financial assets	Note 13	4,348	-	-	-
Other current assets	Note 14	3,590	-	151	-
Assets deriving from contracts with customers	Note 15	2,777	-	-	-
Cash and cash equivalents	Note 16	3,513	-	7,952	-
Total current assets		52,736	-	49,911	743
Total Assets		130,082	1,731	103,085	743
Shareholders' equity					
Share capital	Note 17	1,401	-	1,335	-
Legal reserve	Note 17	497	-	497	-
Other reserves	Note 17	16,464	-	16,263	-
Profits (losses) carried forward	Note 17	29,181	-	9,306	-
Profit (loss) for the year	Note 17	19,498	-	20,249	-
Equity attributable to shareholders of the parent company		67,041	-	47,650	-
Minority interest		-	-	-	-
Total shareholders' equity		67,041	-	47,650	-
Non-current liabilities					
Employee benefits		181	-	36	-
Deferred tax liabilities		117	-	-	-
Provisions for risks and charges		300	-	300	-
Non-current financial liabilities	Note 18	18,108	-	1,048	-
Total non-current liabilities		18,706	-	1,384	-
Current liabilities					
Current financial liabilities	Note 19	5,379	-	7,453	-
Trade payables	Note 20	25,289	-	26,432	132
Tax payables	Note 21	1,625	-	2,246	-
Contractual liabilities	Note 22	2,980	-	10,558	-
Other current liabilities	Note 23	9,062	-	7,360	-
Total current liabilities		44,335	-	54,050	132
Total liabilities		130,082	-	103,085	132

* The comparison is based on the figures of the financial statements of Iervolino Entertainment S.p.A. as at 31 December 2019

Consolidated statement of comprehensive income as at 31 December 2020 - values in euro thousands

	Notes	31-dic-20	of which related parties	31-dic-19 *	of which related parties
Revenues	Note 24	97,482	1,090	66,272	16,973
Other revenues and income	Note 25	8,907	-	89	70
Tax credit and other government grants	Note 26	14,346	-	13,648	-
Total operating revenues and income		120,735	1,090	80,009	17,043
Purchases of raw materials, consumables and merchandise		302	-	40	-
Service costs	Note 27	6,005	-	3,896	-
Personnel costs	Note 28	1,730	-	393	-
Other operating costs		252	-	284	-
Amortisation/depreciation, write-downs and provisions	Note 29	90,406	-	52,748	1,014
EBIT		22,040	1,090	22,647	1,014
Financial income	Note 30	1,127	-	485	-
Financial charges	Note 30	1,784	-	753	-
Pre-tax profit		21,382	-	22,380	16,029
Income taxes	Note 31	(1,884)	-	(2,130)	-
Profit for the year		19,498	-	20,249	-
<i>Attributable to Group</i>		<i>19,498</i>		<i>20,249</i>	
<i>Minority interest</i>		<i>-</i>		<i>-</i>	
Other components of comprehensive income that may subsequently be reclassified to profit or loss, net of tax		-	-	-	-
Other components of comprehensive income that may not subsequently be reclassified in profit or loss, net of tax		(35)	-	-	-
Remeasurement of net liabilities/(assets) for employee benefits		(35)		-	
Total comprehensive profit or loss, net of tax		19,463	-	20,249	-
Basic earnings per share (ordinary shares)	Note 32	0.87	-	1.84	-
Diluted earnings per share (ordinary shares)	Note 32	0.81	-	1.61	-

* The comparison is based on the figures of the financial statements of Iervolino Entertainment S.p.A. as at 31 December 2019

**Statement of changes in consolidated equity
as at 31 December 2020 - values in euro thousands**

	Notes	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Other reserves	Translation reserve	Capital contributions	Profits/(losses) carried forward	Profit/(loss) for the year	Total	Third-party equity	Total shareholders' equity
Balance as at 1 January 2019		1,120	7	28	-	-	-	1,743	(2,178)	10,203	10,923	-	10,923
Profit/(loss) for the year		-	-	-	-	-	-	-	-	20,249	20,249	-	20,249
Allocation of 2018 profit		-	490	-	-	-	-	-	9,713	(10,203)	-	-	-
Coverage of losses		-	-	(28)	-	-	-	(1,743)	1,771	-	-	-	-
IPO		200	-	-	8,241	-	-	-	-	-	8,441	-	8,441
Automatically convertible bond loan "iervolino Entertainment S.p.A. Converting 3% 2019"		-	-	-	7,315	-	-	-	-	-	7,315	-	7,315
Convertible bond loan "iervolino Entertainment S.p.A. Convertible Bond 5% 2019"		15	-	-	707	-	-	-	-	-	722	-	722
Balance as at 31 December 2019		1,335	497	-	16,263	-	-	-	9,306	20,249	47,650	-	47,650
Balance as at 1 January 2020*		1,335	497	-	16,263	-	-	-	9,306	20,249	47,650	-	47,650
Profit/(loss) for the year	Note 17	-	-	-	-	-	-	-	-	19,498	19,498	-	19,498
Allocation of 2019 profit	Note 17	-	-	-	-	-	-	-	20,249	(20,249)	-	-	-
Capital increase of the "Arte Video" transaction	Note 17	1	-	-	146	-	-	-	-	-	147	-	147
Capital increase of the "RED Carpet" transaction	Note 17	1	-	-	146	-	-	-	-	-	147	-	147
Capital increase converted bonds	Note 17	64	-	-	(64)	-	-	-	-	-	-	-	-
Increase in translation reserve	Note 17	-	-	-	-	-	8	-	-	-	8	-	8
Consolidation changes	Note 17	-	-	-	-	-	-	-	(374)	-	(374)	-	(374)
OCI movement	Note 17	-	-	-	-	(35)	-	-	-	-	(35)	-	(35)
Balance as at 31 December 2020		1,401	497	-	16,491	(35)	8	-	29,181	19,498	67,041	-	67,041

**Consolidated statement of cash flow
as at 31 December 2020 - values in euro thousands**

	Notes	31-dic-20	31-dic-19 *
Pre-tax profit for the year	Note 17	21,382	22,379.56
Income taxes	Note 31	(1,884)	-
Adjustments to reconcile pre-tax profit with net cash flows:			-
Amortisation/depreciation on intangible/tangible assets	Note 29	90,406	52,337.20
Write-downs and provisions		-	410.68
Net exchange differences		215	91.47
Financial income		(2)	-
Financial charges		434	176.29
Allocations (Uses) of personnel-related provisions		109	17.23
Other non-monetary elements		-	(155)
Cash flow generated by operating activities		110,660	73,127
Change in working capital:			
Change in trade receivables		3,413	(5,465)
Change in trade payables		(26,406)	(21,724)
Change in other receivables and other assets		(11,022)	(7,548)
Change in other payables and other liabilities		(1,305)	12,573
Interest paid		(832)	(78)
Income taxes paid		(5,728)	(4,603)
A - Net cash flows generated/(used) by operating activities		68,782	46,282
Investments in intangible/tangible assets		(84,031)	(57,070)
Investments in financial assets (equity investments)		-	(170)
Investments in other financial assets	Note 13	(4,348)	-
B - Net cash flows generated/(used) by investment activities		(88,379)	(57,241)
Share capital increase/Share premium reserve		-	16,263
Mortgages and loans taken out during the year		21,665	2,497
Mortgages and loans paid back during the year		(6,507)	-
C - Net cash flows generated/(used) by financing activities		15,158	18,759
D - Total cash flows generated/(used) in the year (A + B + C)		(4,439)	7,801
E - Cash and cash equivalents at the beginning of the year		7,952	151
F - Cash and cash equivalents at the end of the year		3,513	7,952

* The comparison is based on the figures of the financial statements of Iervolino Entertainment S.p.A. as at 31 December 2019

Note: according to IAS 7, the net cash flow generated/(absorbed) by investment activities includes only the investments paid, also through offsetting, in the period.

Notes to the consolidated financial statements

1. Corporate information

The publication of the consolidated financial statements of Iervolino Entertainment S.p.A. and its subsidiaries (Group) for the period ended 31 December 2020 was authorised by the Board of Directors on 19 March 2021. The consolidating company, Iervolino Entertainment S.p.A., is a joint stock company listed, registered and domiciled in Italy. The registered office is located at via Barberini 29, 00187 Rome.

The Group specialises in the production of film and television content including films, TV-shows, web series, short TV shows and much more. The contents produced by the Group are high-quality productions in the Hollywood style and involve the participation of internationally renowned actors. The Group's main objective is to produce for the international market, based on the business model used by the major film studios in Hollywood. The Group also handles authoring, encoding & digital delivery and celebrity management, casting and production of digital ADV content (Celebrity Management).

Information on the Group's relations with related parties can be found in Note 33.1.

2. Main accounting standards

2.1 Drafting principles

The consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were prepared on the basis of the historical cost principle.

The consolidated financial statements are shown in euro and all values are expressed in euro, unless otherwise indicated.

The consolidated financial statements consist of the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement and the statement of changes in consolidated shareholders' equity, as well as these explanatory notes.

Considering that the company prepares the first consolidated financial statements as at 31 December 2020, the comparative data included in the consolidated financial statements as at 31 December 2020 and in the explanatory notes to the consolidated financial statements refer to the financial statements as at 31 December 2019 of Iervolino Entertainment S.p.A.

These financial statements were prepared on the basis of the going concern assumption, as the Directors verified the absence of financial, operational or other indicators that could indicate critical issues regarding the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties related to the business are described in the dedicated sections of the Report on Operations. A description of how the Group manages financial risks, including liquidity, and capital risks, is contained in the section "Additional information on financial instruments and risk management policies" of these Explanatory Notes. The main accounting standards and valuation criteria applied in preparing the consolidated financial statements are described below.

The Directors, in compliance with the provisions of the reference accounting standards, have made the following choices regarding the financial statement schedules.

Consolidated statement of comprehensive income: this was prepared using the "by nature" format and shows the intermediate values related to the operating profit and the profit before taxes to allow the performance of ordinary operating activities to be measured. The operating profit is calculated as the difference between revenues and other income and operating costs (the latter including non-monetary costs related to amortisation/depreciation and impairment of current and non-current assets, net of any reversal).

Consolidated statement of financial position: this is presented by distinguishing between current and non-current assets and liabilities. An asset/liability is classified as current when it meets one of the following criteria: it is expected to be realised/settled; or it is expected to be sold/used in the normal operating cycle; it is held for trading and is therefore expected to be realised/settled within 12 months from the end of the period. If these conditions are not met, the assets/liabilities are classified as non-current.

Consolidated cash flow statement: this is prepared using the "indirect method" by which the net profit for the period is adjusted for the effects of non-monetary transactions.

Statement of changes in consolidated shareholders' equity: this shows the changes that occurred in the shareholders' equity items.

2.2 Consolidation principles

The consolidated financial statements include the financial statements of Iervolino Entertainment S.p.A. and its subsidiaries as at 31 December 2020.

Considering that the company prepares the first consolidated financial statements as at 31 December 2020, the comparative data included in the consolidated financial statements as at 31 December 2020 and in the explanatory notes to the consolidated financial statements refer to the financial statements as at 31 December 2019 of Iervolino Entertainment S.p.A.

Control is obtained when the Group is exposed or is entitled to variable returns, deriving from its relationship with the investee and, at the same time, has the ability to affect these returns by exercising its power over this entity.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (or holds valid rights that give it the ability to direct the relevant activities of the investee);
- exposure or rights to variable returns deriving from the relationship with the investee;
- ability to exercise its power over the investee so as to affect the amount of its returns.

Generally, there is a presumption that the majority of voting rights entails control. In support of this presumption and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all the relevant facts and circumstances to calculate whether it controls the investee, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Group voting rights and potential voting rights.

The Group shall reassess whether it has control over an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements relevant to the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements from the time the Group obtains control until the time the Group no longer exercises control over the company.

The profit (loss) for the year and each of the other components of the statement of comprehensive income are attributed to the owners of the parent company and to the minority interests, even if this might imply that the minority interests have a negative balance. When necessary, the appropriate adjustments are made to the financial statements of the subsidiaries, in order to ensure compliance with the accounting policies of the group. All assets and liabilities, shareholders' equity, revenues, costs and intercompany cash flows related to transactions between Group entities are eliminated in full at the time of consolidation.

Changes in the equity investment in a subsidiary that do not result in the loss of control are recognized in shareholders' equity.

If the Group loses control of a subsidiary, it must derecognise the related assets (including goodwill), liabilities, minority interests and other shareholders' equity components, while any gains or losses are recognized in the income statement. Any equity investment held must be recognized at fair value.

The following table provides information on the subsidiaries as at 31 June 2020, specifically, name, registered office and share capital held directly and indirectly by the Group.

Company name	Registered office	Currency	Interest held
Iervolino Entertainment S.p.A.	Via Barberini 29 - 00187 - Rome	Euro	
Arte Video S.r.l.	Via Barberini 29 - 00187 - Rome	Euro	100%
R.E.D. Carpet S.r.l.	Via del Porto Fluviale 69, 00154 Rome	Euro	100%
Iexchange S.r.l.	Via Barberini 29 - 00187 - Rome	Euro	100%
Iervolino Studios d.o.o.	Svetosavka street 26/9, Pozarevac	Serbian Dinar	100%
Associated companies			
Furuna Crafts d.o.o.	Zeleznicka 4, Novi Sad	Serbian Dinar	50%

The financial statements are presented in euros, which is the functional currency.

2.3 Summary of main accounting standards

a) Business combinations, goodwill and trademark

Business combinations are recognised using the acquisition method. The cost of an acquisition is calculated as the sum of the consideration transferred, measured at fair value at the acquisition date, and the amount of the minority interest in the acquired company. For each business combination, the Group defines whether to measure the minority interest in the acquired company at fair value or in proportion to the share of the minority interest in the net identifiable assets of the acquired company. Acquisition costs are expensed in the year and classified under administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities taken over according to the contractual terms, economic conditions and other relevant conditions at the acquisition date. This includes verifying whether an embedded derivative should be separated from the host agreement.

Any contingent consideration is recognised by the acquiring company at fair value at the date of acquisition. The contingent consideration classified as equity is not subject to remeasurement and its subsequent payment is recognized with contra-entry in shareholders' equity. The change in the fair value of the

contingent consideration classified as an asset or liability, as a financial instrument that is subject to IFRS 9 Financial instruments, must be recognized in the income statement according to IFRS 9. The contingent consideration that does not fall under the purpose of IFRS 9 is measured at fair value at the reporting date and changes in fair value are recognized in the income statement.

Goodwill and trademarks are initially recognized at cost, represented by the excess of the total amount paid and the amount recognised for minority interests over the identifiable net assets acquired and the liabilities taken over by the Group. If the fair value of the net assets acquired exceeds the amount paid, the Group again verifies whether it has correctly identified all the assets acquired and all the liabilities taken over and reviews the procedures used to calculate the amounts to be recognized at the acquisition date. If the new valuation still shows the fair value of the net assets acquired to be higher than the consideration, the difference (profit) is recognized in the income statement.

After initial recognition, goodwill and the trademark are valued at cost, net of accumulated impairment losses. For impairment testing purposes, the goodwill and the trademark acquired in a business combination are allocated, from the acquisition date, to each cash-generating unit of the Group that is expected to benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquired entity are assigned to these units.

If the goodwill and the trademark have been allocated to a cash-generating unit and the entity disposes of part of the assets of that unit, the goodwill and the trademark associated with the divested asset are included in the book value of the asset when the gain or loss on disposal is calculated. The goodwill and the trademark associated with the disposed asset are calculated on the basis of the relative values of the disposed asset and the portion of the cash-generating unit retained.

b) Investments in associated companies

An associated company is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of the financial and operating policies of the investee without having control or joint control.

The considerations made to establish the existence of significant influence are similar to those made to establish the existence of control over the subsidiaries. The Group's equity investment in associated companies is measured using the equity method.

With the equity method, the investment in an associated company is initially recognized at cost. The book value of the equity investment is increased or decreased to recognize the investor's share of the investee's profits and losses realized after the acquisition date. The goodwill pertaining to the associated company or joint venture is included in the book value of the equity investment and is not subject to a separate impairment test.

The income statement reflects the share of the associated company's profit for the year attributable to the Group. Any change in the other components of comprehensive income related to these investees is presented as part of the Group's statement of comprehensive income. In addition, if an associated company recognizes a change that is directly attributable to shareholders' equity, the Group recognizes its share, where applicable, in the statement of changes in shareholders' equity. Unrealized gains and losses deriving from transactions between the Group and associated companies are offset in proportion to the interest in the associated companies.

The Group's aggregate share of the profit or loss of the associated companies is recognized in the income statement after the operating profit and represents the profit after taxes net of the shares due to the other shareholders of the associated company.

The financial statements of the associated companies are prepared on the same date as the Group's financial statements. Where necessary, the financial statements are adjusted to bring them into line with the Group's accounting standards.

After applying the equity method, the Group assesses whether it is necessary to recognize an impairment of its investment in associated companies or joint ventures. At each reporting date, the Group assesses whether there is objective evidence that the equity investments in associated companies have suffered impairment. In this case, the Group calculates the amount of the loss as the difference between the recoverable amount of the associated company and its book value in its own financial statements, recognizing this difference in the income statement as "share in the profits of associated companies".

Upon loss of significant influence over an associated company, the Group measures and recognizes the residual equity investment at fair value. The difference between the book value of the investment at the date of loss of significant influence and the fair value of the residual investment and the consideration received is recognized in the income statement.

c) Intangible assets

Intangible assets acquired separately are initially recognised under assets at purchase cost, including any directly attributable accessory charges, as well as financial charges incurred in the period when the assets are realised. After the initial recognition, intangible assets are shown at cost, net of accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, with the exception of the internal costs of film production, are not capitalised and are recognised in the income statement in the year when they were incurred. Under the item "Intangible assets" the following types of costs relating to the film rights acquired can be distinguished: (i) costs incurred for film productions; (ii) costs for rights acquired for a limited period such as the concessions/licences acquired at a fixed price or with a "minimum guarantee".

The agency/license agreements for acquisition of rights of use on films are recognised as intangible assets at the time control is transferred which usually coincides with the receipt of the invoice. These rights are amortised according to a method based on expected revenues, commonly used in the sector and that provides for the accumulated amortisation at the reporting date being determined by referring to the ratio existing between the revenues realised and the total revenues deriving from the different types of use of the rights, envisaged on the basis of the sales plans, as the Directors believe that this methodology reflects more appropriately and correctly the speed with which the Group envisages the use of the economic benefits associated with these rights.

All the costs relating to the production of films and incurred in the various pre-production, production and post-production phases of the films are capitalised in the items "Finished productions" and "Productions in progress". The Finished productions are amortised using the "film forecast computation method", on the basis of which the amortisation at the reporting date is determined along the time horizon in which the intangible asset will produce revenues. The amortisation period, based on the specific characteristics of the individual existing productions, is set at four years.

At each reporting date, in addition to reviewing their useful life, intangible assets with a defined useful life are analysed so as to identify whether there are any indications of impairment, deriving from both external and internal sources. If such indications are identified, the recoverable value of these assets is estimated and any impairment is recognised in the income statement. The recoverable value of an asset is the greater of its fair value less cost of disposal and its value in use, where the latter is the sum of estimated future revenues for that asset.

An intangible asset deriving from the development (or from the development stage of an internal project) is recognised if, and only if, the following is verified:

- a) Technical feasibility of the completion of the intangible asset to ensure this is available for use or sale;
- b) Intention to complete the intangible asset and to use or sell it;
- c) Ability to use or sell the intangible asset;
- d) This is how the intangible asset will generate probable future economic benefits. Furthermore, the entity can demonstrate the existence of a market for the product of the intangible asset or for the intangible asset itself or, if it is to be used for internal purposes, the usefulness of this intangible asset;
- e) The availability of adequate technical, financial and other resources to complete the development or sale of the intangible asset;
- f) The ability to reliably measure the cost attributable to the intangible asset during its development.

During the development period, the asset is subject to annual impairment test.

The item "Other intangible assets" includes intangible assets with a finite useful life, consisting of Concessions, licenses, trademarks and similar rights; these assets are recognised net of accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life, which is reviewed at least once a year; any changes in the amortisation criteria are applied

prospectively. Amortisation begins when the intangible asset is available for use. The estimated useful life of "Other intangible assets" is 5 years.

d) Tangible assets

These are recognised at historical cost, net of accumulated depreciation and impairment losses. The depreciation charges, recognised in the income statement, were calculated according to the economic/technical life of the assets, based on the criterion of remaining useful life. Regardless of previously recorded depreciation, if there is an impairment, the asset is written down. If in subsequent years the reasons for the impairment no longer exist, the original value net of the accumulated depreciation is restored.

e) Financial assets

At the time of the initial recognition, financial assets are classified, depending on the case, according to the subsequent measurement methods, i.e., at amortised cost, at fair value through other comprehensive income (OCI) and at fair value through profit or loss.

The classification of financial assets at the time of initial recognition depends on the features of the contractual cash flows in financial assets and also the business model that the Group uses for its management. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not measured at fair value through profit and loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, are measured at the transaction price calculated as shown in the section p) Revenues.

In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid ("solely payments of principal and interest", or SPPI). This assessment is referred to as the SPPI test and is performed at the level of individual financial instrument. Financial assets with cash flows that do not meet the above requirements (e.g. SPPI) are classified and measured at fair value through profit or loss.

The Group business model for the management of financial assets refers to the way this manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will derive from collecting the contractual cash flows, from the sale of the financial assets or from both.

Financial assets classified and measured at amortised cost are held within the framework of a business model the objective of which is the possession of financial assets aimed at collecting contractual cash flows while financial assets that are classified and measured at fair value through OCI are held within the framework of a business model the objective of which is achieved both through the collection of contractual cash flows and through the sale of financial assets.

The purchase or sale of a financial asset that requires delivery within a deadline usually set by regulation or market conventions (so-called standardised sale or regular way trade) is recognised on the trade date, i.e., the date the Group undertook to buy or sell the asset.

Subsequent valuation

For the purposes of subsequent valuation, financial assets are broken into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at the fair value through other comprehensive income with reclassification of accumulated profits and losses (debt instruments);

- Financial assets at the fair value through other comprehensive income without reversing accumulated profits and losses at the time of elimination (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant for the Group. The Group measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is owned within the framework of a business model the objective of which is to hold financial assets to collect contractual cash flows;
- and
- the contractual terms of the financial asset provide for at certain dates cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently valued using the effective interest method and are subject to impairment as indicated below. Gains and losses are recognised in the income statement when the asset is written off, modified or revalued.

The Group's financial assets measured at amortised cost include trade receivables.

Cancellation

A financial asset is first cancelled (e.g., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Group has transferred the right to receive cash flows from the asset to a third party or has assumed a contractual obligation to pay them in full and without delay and (a) has substantially transferred all the risks and benefits of ownership of the financial asset, or (b) has not transferred or substantially retained all the risks and benefits of the asset, but has transferred control of it.

In cases where the Group has transferred the rights to receive the cash flows from an asset or has signed an agreement under which it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the financial flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to possession. In the event that it has neither transferred nor substantially retained all the risks and benefits or has not lost control thereof, the asset continues to be recorded in the Group's financial statements to the extent of its residual involvement in the activity. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that still pertain to the Group.

When the entity's residual involvement is a guarantee on the transferred asset, involvement is measured on the basis of the lesser of the amount of the asset and the maximum amount of the consideration received that the entity may have to repay.

Impairment of financial assets

The Group recognises an expected credit loss (ECL) for all financial assets represented by debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows owed under the agreement and all the cash flows that the Group expects to receive, discounted at a rate approximating the original effective interest rate. The expected cash flows will include the cash flows

deriving from the enforcement of the collateral held or other credit guarantees which are an integral part of the contractual conditions.

In relation to credit exposures for which there has been no significant increase in credit risk from the initial recognition, credit losses deriving from an estimate of default events that may occur within the next 12 months need to be recognised (12-month ECL).

For credit exposures for which there has been a significant increase in credit risk from the initial recognition, the expected losses that refer to the residual duration of the exposure must be recognised in full, regardless of the moment in which the default event is expected to occur ("Lifetime ECL").

f) Financial liabilities

Initial recognition and evaluation

Financial liabilities are classified, at the time of initial recognition, as financial liabilities at fair value through profit or loss, among mortgages and loans, or among derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value with the addition, in the case of mortgages, loans and payables, of the transaction costs directly attributable to them.

The Group's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts.

Subsequent valuation

The measurement of financial liabilities depends on their classification, as described below:

Assets and liabilities at amortised cost

This is the most relevant category for the Group. After initial recognition, the loans are measured at the amortised cost using the effective interest rate method. Profits and losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process.

The amortised cost is calculated by recording the discount or premium on the acquisition and the fees or costs that form an integral part of the effective interest rate. Amortisation at the effective interest rate is included in the financial charges in the income statement.

Cancellation

A financial liability is cancelled when the obligation underlying the liability is extinguished, cancelled or settled. If an existing financial liability is replaced by another from the same lender, at substantially different conditions, or the conditions of an existing liability are substantially modified, this change or modification is treated as an accounting cancellation of the original liability, accompanied by the recognition of a new liability, with any difference between the book values recognised in the consolidated income statement.

Offsetting of financial instruments

A financial asset and liability can be offset and the net balance shown in the statement of financial position, if there is a current legal right to offset the amounts recognised in the accounts and there is an intention to pay off the net residual amount, or to dispose of the asset and simultaneously extinguish the liability.

g) Impairment of non-financial assets

At the end of each reporting period, the Group assesses the existence of indications of impairment for its assets.

In this case, or in cases where an annual impairment test is required, the Group estimates the recoverable value. The recoverable amount is the higher of the fair value of the asset or cash-generating unit, net of costs of disposal, and its value in use. The recoverable amount is calculated for each individual asset, except when said asset generates cash flows that are not largely independent from those generated by other assets or groups of assets. If the book value of an asset is higher than its recoverable value, this asset has suffered an impairment loss and is consequently written down to its recoverable value.

In calculating the value in use, the Group discounts estimated future cash flows using a pre-tax discount rate, which reflects the market valuations of the present value of money and the specific risks of the asset. In calculating the fair value net of costs of disposal, recent transactions on the market are taken into account. If it is not possible to identify such transactions, an appropriate valuation model is used. These calculations are supported by appropriate valuation multipliers, listed share prices for investees with securities traded on the market, and other available fair value indicators. The Group bases its impairment test on the most recent budgets and forecasts, prepared separately for each cash-generating unit of the Group to which individual assets are allocated. These budgets and forecasts generally cover a period of five years. A long-term growth rate is calculated to forecast future cash flows beyond five years.

Impairment losses on continuing operations are recognized in the consolidated statement of comprehensive income in the cost categories consistent with the allocation of the asset that showed the impairment. Fixed assets previously revalued are an exception, where the revaluation was recognised under other comprehensive income. In these cases, the impairment is in turn recognized under other comprehensive income up to the amount of the previous revaluation. For assets other than goodwill, at each reporting date, the Group assesses the existence of indications that previously recognized impairment losses have been reversed, fully or in part, and, if such indications are found, it estimates the recoverable amount of the asset or CGU. The value of an asset previously impaired can be reinstated only if there have been changes in the assumptions on which the calculation of the recoverable value was based, subsequent to the recognition of the most recent impairment.

The reversal may not exceed the book value that would have been recorded net of amortisation/depreciation, had no impairment loss been recognized in previous years. This impairment reversal is recognized in the consolidated statement of comprehensive income unless the asset is recognized at the revalued value, in which case the reversal is treated as a gain from revaluation. Goodwill is tested for impairment at least once a year or more frequently, when circumstances suggest that the book value could be subject to impairment. The impairment of goodwill is calculated by finding the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill can be attributed. If the recoverable value of the cash-generating unit is lower than the book value of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognized.

The impairment of goodwill cannot be reversed in future years.

Intangible assets with an indefinite useful life are tested for impairment at least once per year, at the level of the cash-generating unit and when circumstances indicate that there may be an impairment loss.

h) Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits include cash on hand and overnight and short-term deposits with a maturity of no more than three months, held to meet short-term cash commitments, instead of for investment or other purposes, and which are not subject to significant risks associated with the change in value.

For the purposes of representation in the cash flow statement, cash and cash equivalents are represented by cash and cash equivalents as defined above, net of bank overdrafts as these are considered an integral part of the Group's liquidity management.

i) Pension funds and other post-employment benefits

The Group grants its employees benefits that will be paid out upon termination of the employment relationship through defined benefit pension plans. Defined benefit pension plans, which also include the employee severance indemnity due to employees of Italian companies pursuant to Art. 2120 of the Italian Civil Code, are based on the working life of employees and the remuneration received by these during a pre-specified period of service. In particular, the liability related to employee severance indemnity is recognized in the financial statements on the basis of its actuarial value, as it qualifies as a benefit due to employees on the basis of a defined benefit plan. The recognition of defined benefit plans in the financial statements requires the estimate, using actuarial techniques, of the amount of the benefits accrued by employees in exchange for the work performed in the current and previous years and the discounting of these benefits to calculate the present value of the Group's commitments. The present value of these commitments is calculated using the "Projected Unit Credit Method". This method, which falls within the more general scope of the techniques used for "accrued benefits", considers each period of service provided by the workers at the company as a unit of additional entitlement: the actuarial liability must therefore be quantified on the basis of the sole seniority accrued at the valuation date; therefore, the total liability is normally recalculated based on the ratio between the years of service accrued at the reference date of the valuation and the total seniority reached at the time when the benefit is expected to be paid. This method also takes into account future salary increases, for any reason due (inflation, promotion, agreement renewals, etc.), up to the termination of the employment relationship.

I) Provisions for risks and charges

The Provisions for risks and charges are made when the Group has to address a current obligation (legal or implicit) resulting from a past event, when an outlay of resources is likely to meet this obligation and it is possible to make a reliable estimate of its amount. When the Group believes that a provision for risks and charges will be partially or fully reimbursed, for example, in the case of risks covered by insurance policies, the compensation is recognised distinctly and separately in the assets if, and only if, it is practically certain. In this case, the cost of any provision is recognised in the income statement net of the compensation amount recognised.

If the effect of the value of money over time is significant, the provisions are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the liability is discounted, the increase in the provision due to the passing of time is recognised as a financial charge.

m) Contractual liabilities

A contractual liability is an obligation to transfer the customer goods or services for which the Group has already received a consideration (or a portion of the consideration is due). A contractual liability is recognised if payment has been received or is due (whichever comes first) from the customer before the Group has

transferred control of the goods or services. The liabilities deriving from a contract are recognised as revenues when the Group meets the obligations specified in the relevant contract.

n) Revenues

Revenues from sales and services are recognized when the actual transfer of control occurs. A summary description of the recognition, measurement and valuation process applied is provided below for each of the main revenue streams identified.

Revenues related to the use of Intellectual Property

The revenues related to the transfers of the rights to use Intellectual Property (IP) are recognised if both the following conditions are satisfied: (i) the Group has delivered the product to the customer and (ii) the customer, after receiving the product, is able to use it and to benefit from the right transferred.

Revenues from licenses

Revenues related to royalties based on the use and on the sales of an IP licence are recognised if both the following conditions are satisfied: (i) use has occurred and (ii) the performance obligations, based on which some or all the royalties based on the use of an IP licence were allocated, were satisfied.

Revenues from service activities

Contract work usually includes a performance obligation that is fulfilled over time; for these agreements, the Group generally makes use of a method to measure progress in the fulfilment of the performance obligation based on inputs, unless a specific analysis of the agreement suggests the opportunity to use a different method, which best represents the Group's performance obligation met at the reporting date.

For contract work that includes an obligation to perform over time, the Group recognizes revenues over time by measuring the progress towards full fulfilment of that obligation.

It is believed that the method of hours worked by production personnel is generally considered the best method for measuring the progress towards the fulfilment of the Group's performance obligation at the reporting date.

The amount due from the customer for contract work is recognised as an asset deriving from contracts with customers; the amount due to customers for contract work is presented as a liability arising from contracts with customers.

Revenues from service authoring, encoding & digital delivery activities: these are recognized when the service is provided.

Revenues related to Celebrity Management are recognised when the service is provided.

Revenues are shown net of returns, discounts, allowances and bonuses, as well as directly related taxes.

o) Public grants - Tax credits:

Public grants - tax credits are recognised when there is a reasonable certainty that they will be received and that all conditions attached to them will be met. Grants related to cost components are recognised as revenues and are systematically allocated to the different financial years to match the recognition of the costs they are meant to offset. Grants related to an asset are recognised as revenue in shares equal to those

applied for the amortisation of the related intangible asset, according to the provisions of IAS 20 "Accounting for government grants and disclosure of government assistance".

This case includes mainly grants from the Ministry of Cultural Heritage and Assets and Tourism (MIBACT) for television and film productions, based on the applicable legal provisions, which are recognised as grants in the income statement according to the estimated useful life of the asset to which they refer.

With specific reference to the film sector, the Group currently benefits from a type of public grants, that is, incentives consisting of tax relief, deriving from the tax credits granted to film production companies in regard to the creation of cinematographic works as set forth in Law 244/2007, as regulated by the "Tax Credit for Film Producers" Decree, which specifies the application methods. In 2020, the Group also took advantage of the "Tax Credit for Film Distribution Companies" in regard to the self-distribution of the film "Waiting for the Barbarians".

Specifically, the aforementioned provisions intend to support the production of Italian films by recognising a tax credit corresponding to a certain percentage of the total cost of the film.

p) Current taxes

Current tax assets and liabilities for the year are recognised for the amount expected to be recovered from or paid to the tax authorities. The tax rates and provisions used to calculate the amount are those issued, or substantially in force, at the reporting date in the country where the Group operates and generates its taxable income.

Current taxes related to items recognised directly in shareholders' equity are also recognised in shareholders' equity and not in the income statement. Management periodically reviews the position taken in the tax returns in those cases where the tax rules are subject to interpretation and, where appropriate, makes the appropriate provisions.

q) Deferred taxes

Deferred taxes are calculated by applying the "liability method" to the temporary differences existing at the reporting date between the tax values of the assets and liabilities and the corresponding book values.

Deferred tax assets are recognised against all deductible temporary differences, unused tax credits and losses that can be carried forward, to the extent that it is believed that sufficient future taxable income will be available to use the temporary deductible differences and tax credits and losses carried forward, unless the deferred tax asset connected to the temporary deductible differences derives from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect the profit resulting from the financial statement or the tax returns. The book value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer believed that sufficient taxable income will be available in the future to use this credit fully or in part. Deferred tax assets not recognised are reviewed at each reporting date and are recognised to the extent that it becomes probable that the taxable income will be sufficient to allow the recovery of these deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates expected to be applied to the year when the asset is realised or the liability is settled, based on the tax rates in force and those that have been introduced or are substantially in force at the reporting date.

Deferred taxes related to items recognised outside the income statement are also recognised outside the income statement and, therefore, in shareholders' equity or comprehensive income, consistently with the element to which they refer.

r) Translation of foreign currency items

In the consolidated financial statements, the economic results, assets and liabilities are expressed in euro, which is the presentation currency of the Parent Company Iervolino Entertainment S.p.A. For the purposes of the preparation of the consolidated financial statements, the financial statements of the investee Iervolino Studios d.o.o. have been translated into euros by applying the exchange rate in force at the end of the year to assets and liabilities and the average exchange rates for the year to the income statement items provided these are close to the exchange rates in force at the date of the respective transactions.

The Group uses the direct consolidation method; the profit or loss reclassified to the income statement at the time of the sale of a foreign subsidiary represents the amount calculated with this method.

s) Transactions and balances in foreign currency

Foreign currency transactions are initially recognised in the functional currency, applying the spot exchange rate for the transaction date.

Monetary assets and liabilities, denominated in foreign currency, are converted into the functional currency at the exchange rate on the reporting date.

The exchange differences realised or those deriving from the translation of monetary items are recognised in the income statement, with the exception of the monetary elements that are part of the hedging of a net investment in a foreign operation. These differences are recognised in the statement of comprehensive income until the disposal of the net investment, and only then is the overall amount reclassified in the income statement. Taxes attributable to exchange rate differences on monetary elements are also recognised in the statement of comprehensive income.

In preparing the cash flow statement, using the indirect method, the cash flow from operating activities is calculated by adjusting the profit for the effects of unrealised exchange gains or losses, as non-monetary items.

Non-monetary items valued at historical cost in foreign currency are converted at the exchange rates on the date the transaction is initially recognised. Non-monetary items recognised at fair value in foreign currency are converted at the exchange rate on the date this value is calculated. The profit or loss from the conversion of non-monetary items is treated consistently with the recognition of the profits and losses related to the change in the fair value of these items: the conversion differences on the items the change in fair value of which is recognised in the comprehensive income statement or in the income statement are recognised in the comprehensive income statement or in the income statement, respectively.

In determining the spot exchange rate to be used at the time of initial recognition of the related asset, cost or revenue (or part thereof) upon the cancellation of a non-monetary asset or non-monetary liability relating to the advance payment, the transaction date is the date when the Group initially recognises the non-monetary asset or non-monetary liability resulting from the advance payment. If there are multiple payments or advances, the Group determines the transaction date for each payment or advance.

t) Recognition of costs

Costs are recognised at the time of acquisition or consumption of the good or service.

2.3 Effects related to the Covid-19 pandemic

The effects related to the Covid-19 pandemic on the Group's activities and the effects on future activities are described below.

a) Activities for the year 2020

With reference to the recent restrictions linked to the Covid-19 pandemic, the Group's productions, being mainly intended for streaming platforms, have undergone effects related to the planning of the shooting of the films Women Stories (formerly Together Now), Eddie & Sunny and State of Consciousness, which have been postponed with respect to the original production plan.

The smart-working operating mode (from home with technological adaptations) which, although costly due to technical adaptations, is to be considered as a non-recurring expense, an expanded workforce and, finally, the agreements reached with customer and suppliers to anticipate some deliveries of the web series Arctic Friends from 2021 to 2020, have offset the shooting delays.

The postponed shooting of the aforementioned films resulted in a significant financial commitment in the last quarter of the year with a consequent effect on the net financial position at the end of the year, but at the same time allowed the Group to maintain growth and development, as better described in the Report on operations.

2.4 Discretionary measurements and significant accounting estimates

The preparation of the Group's financial statements requires the directors to make discretionary assessments, estimates and assumptions that influence the values of revenues, costs, assets and liabilities and the information relating thereto, as well as the indication of potential liabilities. Uncertainty about these assumptions and estimates could lead to outcomes which will require, in the future, a significant adjustment to the book value of these assets and/or liabilities.

The main assessments requiring the judgement of management are as follows:

Assessments on the existence of control, joint control and significant influence

According to the provisions of IFRS 10, control is obtained when the Group is exposed to, or is entitled to, variable returns deriving from the relationship with the investee and has the ability, through the exercise of power over the investee, to influence the related returns. Power is defined as the current capacity to direct the relevant activities of the investee by virtue of existing substantial rights.

The existence of control does not depend exclusively on the possession of the majority of voting rights, but on the substantial rights of the investor over the investee. As a result, management's judgement is required to assess specific situations resulting in substantial rights that give the Group the power to direct the relevant activities of the investee in such a way as to influence its returns.

For the purpose of assessing the control requirement, management reviews all facts and circumstances, including agreements with other investors, rights deriving from other contractual agreements and potential voting rights. These other facts and circumstances may be particularly relevant in the context of this assessment, especially in cases where the Group holds less than the majority of the voting rights, or similar rights, of the investee.

The Group reviews the existence of the conditions for control over the investee when the facts and circumstances indicate that there has been a change in one or more elements considered for the verification of its existence.

Equity investments in associated companies are those in which the company exercises significant influence, i.e. those in which it has the power to participate in the determination of financial and management policies without having control or joint control. In general, it is assumed that the Group has a significant influence when it holds an interest equal to at least 20% of the investee's capital.

In order to establish the existence of a significant influence, the judgement of management is required to assess all the facts and circumstances.

The Group re-examines the existence of significant influence when facts and circumstances indicate that there has been a change in one or more elements considered to verify the existence of such significant influence.

Amortisation and verification of the recoverable value of intangible assets

The most significant assessment used in the preparation of the income statement relates to the application criterion for calculating future revenues used in applying the "film forecast computation method" (see paragraph c) Intangible assets), which affects the calculation of the amortisation charges for intangible assets. With the film forecast computation method, the amortisation charge at the reporting date is calculated over the time horizon based on the ratio of the revenues realised and the total revenues to be received throughout the life cycle of the film. The application of this method requires the use of estimates to calculate the future revenues generated by the intangible asset.

With reference to the verification of the recoverable value of intangible assets, their future use was verified within the last Business Plan approved by the Board of Directors.

Recovery of Deferred tax assets

Deferred tax assets are recognised against the temporary deductible differences between the values of the assets and liabilities recognised in the financial statements and the corresponding tax value. A discretionary assessment is required from the directors to calculate the amount of deferred tax assets that can be recognised which depends on the estimate of the probable time manifestation and the amount of future taxable profits.

Application of IFRS 15

When each agreement is signed with a customer, management assesses the appropriate method to measure the fulfilment of the contractual obligation deriving from the agreement. For most of the existing agreements, the obligation is outlined in detail according to Par. 38 of IFRS 15. The management, in its opinion, believes this can be identified with the moment when confirmation is obtained about the technical compliance of the production delivered.

Directors, with special reference to revenues related to royalties based on the use of an IP licence, have assessed whether both conditions below are satisfied: (i) the use has occurred and (ii) the performance obligations, based on which some or all the royalties based on the use an IP licence were allocated, were fulfilled.

Recognition of the Film production tax credit

With regard to recognising the film production tax credit, the directors believe that this is considered reasonably certain provided the corresponding recognition procedure has been followed. The related recognition in the revenue depends on the production being delivered and the realised rights.

2.5 Changes in accounting standards and disclosure

New accounting standards, interpretations and amendments adopted by the Group

The Group applied for the first time some standards or amendments that have been in force since 1 January 2020. The Group has not adopted in advance any new standard, interpretation or amendment issued but not yet in force.

Amendments to IFRS 3: Definition of a business

The amendments to IFRS 3 have clarified that to be considered a business, an integrated set of activities and assets must include at least one input and an underlying process that together contribute in a significant way to the ability to create an output. Furthermore, it was clarified that a business can exist without including all the inputs and processes necessary to create an output.

Amendments to IFRS 7, IFRS 9 and IAS 39: Reform of the interest rate benchmark

The amendments to IFRS 9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly impacted by the reform of the reference interest rates. A hedging relationship that is impacted by the reform is subject to uncertainties regarding the timing and amount of cash flows based on the reference rate with reference to the hedged instrument. These amendments have no impact on the Group's consolidated financial statements as there are no interest rate hedges in place.

Amendments to IAS 1 and IAS 8 - definition of material

The amendments provide a new definition of materiality which states that information is material if it is reasonable to assume that its omission, misstatement or concealment could influence the decisions that the main users of the financial statements prepared for general purposes take on the basis of these financial statements, which provide financial information about the specific entity preparing the financial statements. The materiality depends on the nature or extent of the information, or on both. The entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements, taken as a whole. The information is hidden if it is communicated in such a way as to have, for the main users of the financial statements, an effect similar to that of the omission or incorrect indication of the same information. These amendments did not have any impact on the consolidated financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework does not represent a standard and none of the concepts contained in it takes precedence over the concepts or requirements of a standard. The purpose of the Conceptual Framework is to support the IASB in the development of standards, to help the drafters to develop homogeneous accounting policies where there are no applicable standards in the specific circumstances and to help all parties involved to understand and interpret the standards.

The revised version of the Conceptual Framework includes some new concepts, provides updated definitions and updated recognition criteria for assets and liabilities and clarifies some important concepts. These amendments did not have any impact on the Group's consolidated financial statements.

Amendment to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of the contractual amendments for the reductions in lease payments granted by the lessors that are a direct consequence of the Covid-19 epidemic. The amendment introduces a practical expedient according to which a lessee may choose not to assess whether the reduction in lease payments represent contractual changes. A lessee who chooses to use this expedient accounts for these reductions as if they were not contractual changes in the scope of IFRS 16.

The amendments are applicable to financial statements the accounting period of which starts on 1 June 2020 or later. Early adoption is permitted. These amendments did not have any impact on the Group's consolidated financial statements.

Accounting standards for future application

The list of standards, amendments to standards and interpretations whose effective date for the Group is after 31 December 2020 is provided below:

Amendment to IFRS 16: Covid-19 related rent concessions, issued on 28 May 2020 in order to allow lessees not to account for concessions on lease payments (suspension of lease payments, deferment of payments due for leases, reductions in leases for a period of time, possibly followed by rental increases in future periods) as contractual changes to the lease if they are a direct consequence of the Covid-19 pandemic and meet certain conditions. According to IFRS 16, a contractual change to the lease is a change in the object or consideration of a lease that is not envisaged in the original contractual terms and conditions of the lease; therefore, concessions on lease payments would be contractual changes to the lease, unless they were provided for in the original lease agreement. The amendment applies only to lessees, while lessors are required to apply the current provisions of IFRS 16. The amendment, which applies retrospectively for financial years beginning on or after 1 June 2020, was not adopted in advance by the company.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, issued in September 2014. The amendments clarify the accounting treatment of sales or transfers of assets between an investor and its associated companies or joint ventures. The amendments confirm that the accounting treatment varies according to whether the assets sold or transferred to an associated company or joint venture constitute a "business" (as defined by IFRS 3). The IASB indefinitely postponed the date of first application of the amendments in question; early application is allowed provided that the amendments are applied prospectively.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current issued in January 2020. The amendments concern the provisions of IAS 1 related to the presentation of liabilities. More specifically, the amendments clarify:

- the criteria for classifying a liability as current or non-current, specifying what is meant by a company's right to defer settlement and that this right must exist at the end of the year;
- that the classification is not affected by the intentions or expectations of management as to when a company will exercise its right to defer the settlement of a liability;
- that there is a right to defer only if the company meets the conditions specified in the loan agreement at the end of the year, even if the creditor does not verify compliance until a later date; and
- that the regulation refers to the transfer to the counterparty of liquidity, equity instruments, other goods or services.

The amendments will be applicable, subject to endorsement, for financial years beginning on or after 1 January 2023. Early application is allowed.

Amendments to IFRS 3 - Reference to the Conceptual Framework issued in May 2020. The amendments are intended to replace a reference to the definitions of assets and liabilities provided by the Revised Conceptual Framework for Financial Reporting issued in March 2018 (Conceptual Framework) without significantly changing its provisions.

The amendments also added a provision to IFRS 3 (according to which, in relation to transactions and other events that fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies, instead of the Conceptual Framework, the aforementioned principles to identify the liabilities assumed in a business combination.

Finally, the amendments clarify the existing guidelines in IFRS 3 for contingent assets acquired in a business combination, specifying that, if it is not certain that an asset exists at the acquisition date, the possible asset does not qualify for recognition.

The amendments will be applicable, subject to endorsement, for financial years beginning on or after 1 January 2022.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use, issued in May 2020. The amendments prohibit companies from deducting from the cost of an item of property, plant and equipment any income deriving from the sale of items produced while the asset is brought to the location and condition necessary for it to function in the manner intended by management. On the contrary, a company must recognize the income deriving from the sale of these elements and the costs related to their production in the income statement. The amendments will be applicable, subject to endorsement, for financial years beginning on or after 1 January 2022. Early application is allowed.

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract, issued in May 2020. The amendments specify which costs a company includes in calculating the cost necessary to fulfil a contract in order to assess whether the contract is onerous. To this end, the "cost necessary for the performance" of a contract includes costs that refer directly to the contract; the latter may be either incremental costs necessary for the fulfilment of that contract or an allocation of other costs that relate directly to the fulfilment of the contract. The amendments will be applicable, subject to endorsement, for financial years beginning on or after 1 January 2022. Early application is allowed.

Annual improvements to IFRS Standards 2018-2020, issued in May 2020. The document mainly makes changes to the following standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards; the amendment simplifies the application of IFRS 1 for an investee company (subsidiary, associated and joint venture) that becomes a new user of the IFRSs after its parent/investing company. In particular, if the investee adopts the IFRSs after its parent/investing company and applies IFRS 1.D16 (a), then this investee may choose to measure the cumulative translation differences for all foreign operations at the amounts included in the consolidated financial statements of the parent/investing company, based on the date of transition of the latter to the IFRSs.

IFRS 16 Leases, the International Accounting Standards Board amended the Illustrative example 13 that accompanies IFRS 16 Leases. In particular, the amendment eliminates the likely confusion in the application of IFRS 16 due to the way in which Illustrative example 13 had described the requirements for lease incentives. Indeed, the example included a reimbursement for leasehold improvements without providing an explanation as to whether the reimbursement met the definition of a lease incentive. The amendment removes from the example the illustration of the reimbursement related to leasehold improvements.

The amendments must be applied prospectively, subject to prior approval, for annual periods beginning on or after 1 January 2022. Early application is allowed.

Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16 - Interest Rate Benchmark Reform - Phase 2, issued in August 2020. The amendments supplement those issued in 2019 ("Interest Rate Benchmark Reform - Phase 1") and address issues that could affect financial reporting after a benchmark has been reformed or replaced with an alternative reference rate due to the reform. The objectives of the amendments of Phase 2 are to assist the companies: (i) in applying the IFRSs when changes are made to the contractual cash flows or to the hedging relationships due to the reform of the benchmarks for calculating interest rates; and (ii) providing useful information to users of financial statements.

Moreover, when the exemptions of Phase 1 cease to be applicable, the companies are required to modify the documentation of the hedging relationship to reflect the changes required by the IBOR reform by the end of the year during which the changes are made (these amendments do not constitute a termination of the hedging relationship). The amounts accumulated in the cash flow hedge reserve, when the description of a hedged element in the documentation of the hedging relationship is changed, are considered based on the alternative reference rate on the basis of which the future cash flows hedged are calculated.

The amendments will require the provision of additional information on the exposure of the company to the risks deriving from the Interest Rate Benchmark Reform and on the related risk management activities.

The amendments will be applicable for annual periods beginning on or after 1 January 2021. Early application is allowed.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies, issued in February 2021. The amendments are intended to support the companies in deciding which accounting standards to illustrate in the financial statements. The amendments to IAS 1 require companies to provide information on the relevant accounting standards, rather than on the significant ones. A guide on how to apply the concept of materiality to the disclosure on accounting standards is provided by the amendments to IFRS Practice Statement 2. The amendments will be applicable, subject to endorsement, for financial years beginning on or after 1 January 2023. Early application is allowed.

Amendments to IAS 8 - Definition of Accounting Estimates, issued in February 2021. The amendments are intended to support companies in distinguishing between changes in accounting standards and changes in accounting estimates; the definition of changes in accounting estimates is replaced with a definition of accounting estimates as "monetary amounts that are subject to measurement uncertainty in the financial

statements". The amendments will be applicable, subject to endorsement, for financial years beginning on or after 1 January 2023. Early application is allowed.

At present, the Group does not expect any (significant) impact from such adoptions.

2.5 Management of financial risks

Liquidity risk

Liquidity risk is related to the inability to obtain funds to settle payment obligations.

It may derive from the insufficiency of the resources available to meet the financial obligations within the preset terms and due dates in the event of sudden revocation of the uncommitted credit lines or from the possibility that the company be required to meet its financial liabilities before their natural maturity.

The Group, through a careful and prudent financial policy, which is reflected in the policy adopted, and the constant monitoring of both the ratio between credit facilities granted and used and between short-term and medium/long-term debt, has acquired credit lines of adequate quality and quantity.

In recent years, the Group's activity has been characterized by rapid development, high growth and the acquisition of new intellectual property. In this context of business growth, characterized by a high use of liquidity, the Group monitors the risk of a liquidity shortage using a financial planning tool.

The following table summarizes the time profile of the Group's long-term debt repayment plan.

€/000								
Disbursing institution	Type of loan	Interest rate	Amount disbursed	Origination year	Maturity year	Within 1 year	Between 1 and 5 years	Over 5 years
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	114	293	-
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	114	302	-
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2023	138	277	-
Intesa San Paolo S.p.A.	Loan	4.75% (until 30/06/2020) - 3M Euribor + 2.5% spread	4,100	2020	2025	-	4,100	-
Intesa San Paolo S.p.A.	Loan	3M Euribor + 2.6% spread	5,500	2020	2025	-	5,500	-
Intesa San Paolo S.p.A.	Basket Bond	4.07%	8,000	2020	2027	-	5,535	2,465

The Group's exposure to the banking system amounted to €23.4 million as at 31 December 2020.

The Group also offsets trade payables and receivables which, although shown "gross" in the financial statements, do not generate operating cash flows.

Foreign exchange risk

The Group pays part of its costs in US dollars and receives part of its revenues in this currency. The Group is therefore exposed to the risk of a devaluation of the euro against the US dollar; however, it did not consider it appropriate to hedge this risk as this is significantly reduced by offsetting the costs incurred in the same currency as the revenues. Furthermore, considering the short time interval between the issuance/receipt of the invoice and its settlement, the exposure to exchange rate risk is moderate with respect to the quantity of currency transactions carried out.

In fact, the difference between gains and losses on exchange rates was equal to €92 thousand in 2019 (net exchange loss), and €215 thousand in 2020 (net exchange loss).

Revenue and payment flows in currencies other than the US dollar are irrelevant.

Interest rate risk

The Group is exposed to marginal risks associated with the volatility of interest rates linked to loans. In fact, fixed rate loans represented 42% of the total loans as at 31 December 2020.

Variable-rate loans are all linked to the 3M Euribor, which is currently at historically low levels.

Credit risk

We believe that the Group's business activities are carried out with parties with a good credit standing. The risk that a counterparty might not fulfil its obligations as at 31 December 2020 is limited, even though significant credit concentrations exist. These concentrations concern those customers with which the Group carries out recurring transactions.

The Group maintains a high level of attention, through monthly controls, on the exposures to its customers to identify the most critical positions. Where necessary, the bad debt provision is supplemented through a specific assessment of the individual positions to align trade receivables with their presumed realisation value.

As at 31 December 2020, past due receivables were equal to 2% of total trade receivables and the bad debt provision was equal to 40% of the total past due.

Financial instruments by category

As required by IFRS 7 Par. 8, financial instruments are identified by category of classification in the assets and liabilities of the Group with respect to the classification in the statement of financial position.

2020

	Amortised cost			Fair value			Total	
	Loans and receivables €/000	Fin. ass. held to maturity €/000	Fin. liab. at amortised cost €/000	Fin. ass./liab. designated at initial recognition €/000	Fin. ass./liab. held for trading €/000	Fin. ass. held for sale/Other fin. liab. €/000	Total fin. ass./liab. under IFRS	Ass./liab. not under IFRS
							Total	Total
Intangible assets	-	-	-	-	-	-	68,057	68,057
Trademark	-	-	-	-	-	-	359	359
Goodwill	-	-	-	-	-	-	75	75
Tangible assets	-	-	-	-	-	-	214	214
Deferred tax assets	-	-	-	-	-	-	6,289	6,289
Equity investments recognised with the equity method	-	-	-	-	-	-	18	18
Other non-current assets	2,334	-	-	-	-	-		2,334
Trade receivables	16,787	-	-	-	-	-		16,787
Tax receivables	-	-	-	-	-	-	21,721	21,721
Current financial assets	-	-	-	-	-	-	4,348	4,348
Other current assets	-	-	-	-	-	-	3,590	3,590
Assets deriving from contracts with customers	-	-	-	-	-	-	2,777	2,777
Cash and cash equivalents	3,513	-	-	-	-	-		3,513
Total	22,634	-	-	-	-	-	107,448	130,082
Total shareholders' equity	-	-	-	-	-	-	67,041	67,041
Employee benefits	-	-	-	-	-	-	181	181
Deferred tax liabilities	-	-	-	-	-	-	117	117
Provisions for risks and charges	-	-	-	-	-	-	300	300
Non-current financial liabilities	-	-	-	18,108	-	-		18,108
Current financial liabilities	-	-	5,379	-	-	-		5,379
Trade payables	-	-	-	-	-	-	25,289	25,289
Tax payables	-	-	-	-	-	-	1,625	1,625
Contractual liabilities	-	-	-	-	-	-	2,980	2,980
Other current liabilities	-	-	-	-	-	-	9,062	9,062
Total	-	-	23,487	-	-	-	106,595	130,082

2019

	Amortised cost			Fair value			Total		
	Loans and receivables	Fin. ass. held to maturity	Fin. liab. at amortised cost	Fin. ass./liab. designated at initial recognition	Fin. ass./liab. held for trading	Fin. ass. held for sale/Other fin. liab.	Total fin. ass./liab. under IFRS	Ass./liab. not under IFRS	Total
									€/000
Intangible assets	-	-	-	-	-	-	-	49,219	49,219
Tangible assets	-	-	-	-	-	-	-	6	6
Deferred tax assets	-	-	-	-	-	-	-	3,778	3,778
Other non-current assets	-	-	-	-	-	-	-	170	170
Trade receivables	20,200	-	-	-	-	-	-	-	20,200
Tax receivables	-	-	-	-	-	-	-	21,608	21,608
Other current assets	-	-	-	-	-	-	-	151	151
Cash and cash equivalents	7,952	-	-	-	-	-	-	0	7,952
Total	28,152	-	-	-	-	-	-	74,932	103,085
Shareholders' equity	-	-	-	-	-	-	-	47,650	47,650
Provisions for risks and charges	-	-	-	-	-	-	-	300	300
Employee benefits	-	-	-	-	-	-	-	36	36
Financial liabilities	-	-	8,501	-	-	-	-	-	8,501
Trade payables	-	-	26,432	-	-	-	-	-	26,432
Tax payables	-	-	-	-	-	-	-	2,246	2,246
Other current liabilities	-	-	-	-	-	-	-	17,919	17,919
Total	-	-	34,933	-	-	-	-	68,151	103,085

As at 31 December 2020, the Group does not hold assets measured at fair value.

3 Main changes in the scope of consolidation

The scope of consolidation of the Group underwent changes compared to the configuration as at 31 December 2019 due to the acquisition of a 49% interest in Arte Video S.p.A. and a 100% interest in R.E.D. Carpet S.r.l. In 2020, the company Iervolino Studios d.o.o. was established. With regard to associated companies recognised with the equity method, the company Furuna Crafts d.o.o., an associated company through Iervolino Studios d.o.o., was included in 2020.

The following tables show the values of the assets acquired related to Arte Video S.r.l. and R.E.D. Carpet S.r.l.:

Arte Video S.r.l.

€/000	Book values	Allocation price	Post-allocation
		adjustments	values
Tangible assets	24	123	147
Intangible assets	51	52	103
Financial assets	12	-	12
Receivables from customers	205	-	205
Other receivables	18	-	18
Cash and cash equivalents	18	-	18
Employee severance indemnity	(11)	-	(11)
Deferred tax liabilities	-	(42)	(42)
Due to banks	(57)	-	(57)
Due to suppliers	(61)	-	(61)
Tax payables	(30)	-	(30)
Other payables	(72)	-	(72)
Net assets acquired	97	133	230
Cost of acquisition	-	-	300
(of which paid in cash)	-	-	150
Goodwill			70

R.E.D. Carpet S.r.l.

€/000	Book values	Allocation price adjustments	Post-allocation values
Receivables from customers	6	-	6
Tangible assets	6	-	6
Intangible assets	10	-	10
Trademarks	14	345	359
Receivables from customers	410	-	410
Other receivables	131	-	131
Cash and cash equivalents	191	-	191
Employee severance indemnity	(31)	-	(31)
Deferred tax liabilities	-	(83)	(83)
Due to banks	(11)	-	(11)
Due to suppliers	(342)	-	(342)
Tax payables	(312)	-	(312)
Other payables	(38)	-	(38)
Net assets acquired	34	262	296
Cost of acquisition	300	300	300
(of which paid in cash)	150	150	150
Goodwill			4

4 Operating Segments: Disclosure

For the purposes of IFRS 8 - Operating segments, the activity carried out by the Group can be classified into three operating segments: (i) Film productions including service activities (production activities carried out on behalf of third parties - the final Intellectual Property is not owned by the Group) and post-production; (ii) Authoring, encoding & digital delivery activities (A, E & DD); (iii) Celebrity Management, casting and production of digital ADV content (Celebrity Management).

The film production segment is the Group's core business. The Parent Company is a global production company specialising in the production of Hollywood-style film and television content for the international market, from preliminary project evaluation to post-production; for these characteristics, the customers of this operating segment are international sales agents or distributors located outside Italy. From the second half of 2020, the segment also includes the service activities carried out by Iervolino Studios d.o.o. Within this segment, post-production activities are carried out by the subsidiary Arte Video.

As at 31 December 2019, the operating segments included Advertising, a segment connected with the advertising agency activity carried out for the TATATU platform. Following the change in strategy, in the first few months of 2020, the agreement related to the activity as advertisement agent was terminated by mutual consent. Therefore, this operating segment was included in the IFRS 8 disclosure but was indicated as no longer active.

The A, E & DD segment is developed by the subsidiary Arte Video.

The segment of Celebrity Management, casting and production of digital ADV content is related to the development of an internal celebrity management agency and is developed by the subsidiary Red Carpet.

In 2020, the Parent Company also carried out distribution activities for the film "Waiting for the Barbarians" produced by the company itself. Since distribution is not part of the Group's core business, this activity does not constitute an operating segment and was included in the film productions segment.

The directors monitor the results achieved by the business units separately with the purpose of making decisions about resource allocation and performance verification.

The performance of segments is assessed based on their profits, as resulting from the consolidated financial statements.

Values in thousands of euro	Film productions	A, E & DD	Celebrity management	ADV (Non-operating segment)	Not allocated	Financial statements
Revenues	94,560	935	897	1,090	-	97,482
Other revenues and income	8,849	2	56	-	-	8,907
Tax credit	14,346	-	-	-	-	14,346
Total operating revenues and income	117,756	937	953	1,090	-	120,735
Purchases of raw materials, consumables and merchandise	287	8	8	-	-	302
Service costs	4,163	514	788	540	-	6,005
Personnel costs	1,520	50	160	-	-	1,730
Other operating costs	222	2	28	-	-	252
Amortisation/depreciation, write-downs and provisions	90,310	78	18	-	-	90,406
Write-downs and provisions	-	-	-	-	-	-
EBIT	21,253	286	(49)	550	-	22,040
Financial income	1,127	-	-	-	-	1,127
Financial charges	1,783	-	1	-	-	1,784
Pre-tax profit	20,597	286	(50)	550	-	21,382
Income taxes	(1,937)	(48)	101	-	-	(1,884)
Profit for the period	18,660	238	51	550	-	19,498

Values in thousands of euro	Film productions	A, E & DD	Celebrity management	ADV (Non-operating segment)	Not allocated	Financial statements
Assets						
Non-current assets						
Intangible assets	67,933	124	-	-	-	68,057
Finished productions	40,725	-	-	-	-	40,725
Production in progress	5,401	-	-	-	-	5,401
Misc. rights	21,806	-	-	-	-	21,806
Other intangible assets	-	124	-	-	-	124
Trademark	-	-	359	-	-	359
Goodwill	-	70	4	-	-	75
Tangible assets	87	107	20	-	-	214
Deferred tax assets	6,188	-	101	-	-	6,289
Equity investments recognised with the equity method	18	-	-	-	-	18
Other non-current assets	591	12	0	1,731	-	2,334
Total non-current assets	74,817	313	484	1,731	-	77,345
Current assets						
Trade receivables	15,991	331	465	-	-	16,787
Tax receivables	21,678	-	24	-	-	21,721
Current financial assets	4,348	-	-	-	-	4,348
Other current assets	6,345	-	2	-	-	6,367
Cash and cash equivalents	3,384	-	128	-	-	3,513
Total current assets	51,709	331	620	-	-	52,736
Total Assets	126,526	644	1,104	1,731	-	130,082
Shareholders' equity						
Share capital	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
-	-	-	-	-	-	-
Profits (losses) carried forward	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	-	-
Equity attributable to shareholders of the parent company	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-
Total shareholders' equity	-	-	-	-	67,041	67,041
Non-current liabilities						
Employee benefits	133	-	48	-	-	181
Deferred tax liabilities	-	34	83	-	-	117
Provisions for risks and charges	300	-	-	-	-	300
Non-current financial liabilities	18,108	-	-	-	-	18,108
Total non-current liabilities	18,541	34	131	-	-	18,706
Current liabilities						
Current financial liabilities	5,376	-	3	-	-	5,379
Trade payables	24,428	215	449	-	-	25,289
Tax payables	1,215	-	411	-	-	1,625
Contractual liabilities	2,847	-	133	-	-	2,980
Other current liabilities	9,061	-	1	-	-	9,062
Total current liabilities	42,927	215	997	-	-	44,335
Total liabilities	61,468	248	1,127	-	67,041	130,082

Note 5 Intangible assets

The breakdown of the item Intangible assets as at 31 December 2020, compared with the same values as at 31 December 2019, is shown below:

€/000	31-dic-20	31-dic-19	Change
Finished productions	40,725	31,460	9,265
Productions in progress	5,401	4,942	460
Misc. rights	21,806	12,817	8,989
Other intangible assets	124	-	124
Total intangible assets	68,057	49,219	18,838

Changes in intangible assets are shown below (the decrease column in addition to amortisation for the year also includes other decreases):

€/000	As at 31 December 2019	Increases	Consolidation changes	Reclassifications	Decreases	As at 31 December 2020
Finished productions	31,460	98,208	-	677	(89,620)	40,725
Productions in progress	4,942	5,305	-	(4,845)	-	5,401
Misc. rights	12,817	5,500	-	4,168	(679)	21,806
Other intangible assets	-	-	149	-	(25)	124
Total intangible assets	49,219	109,013	149	-	(90,324)	68,056

The item Finished productions includes the capitalization of the works produced, completed and delivered to the customer. These works refer to (i) the films The Poison Rose and Waiting for the Barbarians delivered in 2018 and 2019 respectively; (ii) 122 episodes of the web series Arctic Friends (15 episodes delivered in 2018, 35 in 2019 and 72 in 2020); (iii) 70 episodes of the Puffins web series (20 episodes delivered in 2019 and 50 in 2020); (iv) the segments of the Together Now film delivered in 2019 and 2020; (v) the film Eddie & Sunny delivered in 2020; (vi) the Vod Cast Giving Back delivered in 2019.

The historical breakdown of the productions completed is as follows:

€/000	As at 31 December 2018	2018 decreases	2019 increases	2019 decreases	As at 31 December 2019
The Poison Rose	15,977	(12,302)	-	(2,228)	1,447
Waiting for the Barbarians	-	-	14,645	(10,984)	3,661
AF 2018 (15 episodes) - 2018	13,099	(9,824)	-	-	3,275
AF 2019 (35 episodes) - 2019	-	-	31,722	(23,791)	7,931
AF 2020 (72 episodes) - 2020	-	-	-	-	-
AF rights	6,141	(364)	-	(848)	4,929
Total AF	19,240	(10,188)	31,722	(24,639)	16,135
Puffins 2019 (20 episodes) - 2019	-	-	13,363	(10,022)	3,341
Puffins 2020 (50 episodes) - 2020	-	-	-	-	-
Puffins rights	-	-	6,481	(511)	5,970
Total Puffins	-	-	19,844	(10,533)	9,311
Eddie & Sunny	-	-	-	-	-
Women Stories	-	-	3,748	(2,842)	906
Giving Back			1,068	(1,068)	-
TOTAL	35,217	(22,490)	71,027	(52,294)	31,460

€/000	As at 31 December 2019	2020 increases	2020 decreases	Reclassifications	As at 31 December 2020
The Poison Rose	1,447	-	(1,447)	-	-
Waiting for the Barbarians	3,661	-	(3,302)	-	359
AF 2018 (15 episodes) - 2018	3,275	-	(3,275)	-	-
AF 2019 (35 episodes) - 2019	7,931	-	(5,075)	-	2,856
AF 2020 (72 episodes) - 2020	-	59,786	(44,839)	-	14,947
AF rights	4,929	1,123	(2,481)	-	3,571
Total AF	16,135	60,909	(55,670)	-	21,374
Puffins 2019 (20 episodes) - 2019	3,341	-	-	-	3,341
Puffins 2020 (50 episodes) - 2020	-	30,913	(23,185)	-	7,728
Puffins rights	5,970	2,733	(1,087)	(4,285)	3,331
Total Puffins	9,311	33,646	(24,272)	(4,285)	14,400
Eddie & Sunny	-	2,912	(2,190)	20	742
Women Stories	906	741	(2,739)	4,942	3,850
Giving Back	-	-	-	-	-
TOTAL	31,460	98,208	(89,620)	677	40,725

The item Production in progress includes the capitalization of the costs of films that were not completed in 2020.

The historical breakdown of the productions in progress is as follows:

€/000	As at 31 December 2018	2018 decreases	2019 increases	2019 decreases	As at 31 December 2019
State of Consciousness	-	-	-	-	-
Women Stories	-	-	4,942	-	4,942
Musk Movie	-	-	-	-	-
Other projects	-	-	-	-	-
TOTAL	-	-	4,942	-	4,942

€/000	As at 31 December 2019	2020 increases	2020 decreases	Reclassifications	As at 31 December 2020
State of Consciousness	-	2,283	-	17	2,300
Women Stories	4,942	-	-	(4,942)	-
Musk Movie	-	2,222	-	-	2,222
Other projects	-	799	-	80	879
TOTAL	4,942	5,305	-	(4,845)	5,401

The item Misc. rights includes capitalisation of the costs incurred for the acquisition of the distribution rights for the films in Italy and the rights related to Intellectual Properties. The increase in the item compared to the previous period is mainly related to the acquisition of the worldwide rights for the film Ladri di Natale.

The historical breakdown of the item Misc. rights is as follows:

€/000	As at 31 December 2018	2018 decreases	2019 increases	2019 decreases	As at 31 December 2019
Library	220	-	-	(37)	183
Arctic Justice 7 Characters	-	-	8,768	-	8,768
Lamborghini distribution rights	1,025	-	1,055	-	2,080
Arctic Justice film distribution rights	930	-	579	-	1,509
Ladri di Natale distribution rights	-	-	-	-	-
Puffins rights	-	-	-	-	-
Misc. rights	-	-	277	-	277
TOTAL	2,175	-	10,679	(37)	12,817

€/000	As at 31 December 2019	2020 increases	2020 decreases	Reclassifications	As at 31 December 2020
Library	183	-	(37)	-	146
Arctic Justice 7 Characters	8,768	2,274	-	-	11,042
Lamborghini distribution rights	2,080	-	-	-	2,080
Arctic Justice film distribution rights	1,509	530	-	-	2,039
Ladri di Natale distribution rights	-	2,609	-	-	2,609
Puffins rights	-	-	(642)	4,284	3,642
Misc. rights	277	87	-	(117)	247
TOTAL	12,817	5,500	(679)	4,167	21,806

During the year, no indications of impairment were identified with reference to intangible assets; in fact, the use of intangible assets is considered in the latest Business Plan approved by the Board of Directors.

Note 6 Trademarks and Goodwill

Trademark and goodwill derive from the difference between the prices paid for the acquisitions of controlling interests, and the fair value of the net assets acquired at the time control is acquired. In particular, the trademark relates to the acquisition of the interest in R.E.D. Carpet S.r.l., and goodwill to the acquisition of the interest in Arte Video S.r.l.

Disclosure on impairment testing of assets

Scope of application

IAS 36 requires the assessment of the existence of impairment losses on tangible and intangible assets with a finite useful life in the presence of indications that suggest that impairment may exist. In the case of goodwill and trademarks, as well as any other intangible assets with an indefinite useful life, this assessment is carried out once a year - or more frequently when extraordinary negative events occur that imply a presumption of impairment (triggering events) through the impairment testing process.

As the trademark and the goodwill do not represent, based on international accounting standards, assets in their own right, as they are not able to generate cash flows independently of other assets or groups of assets, they cannot be subject to impairment testing separately from the assets to which they refer. Therefore, the trademark and the goodwill must be allocated to a CGU (cash-generating unit), or a group of CGUs, as the maximum aggregation limit coincides with the notion of "sector" pursuant to IFRS 8. As part of the impairment test, for each year, the goodwill and the trademark acquired through business combinations were allocated to different and separate cash-generating units to test for impairment. It should be noted that the CGUs identified substantially coincide with the operating segments of authoring, encoding & digital

delivery and Celebrity Management, casting and production of digital ADV content. The CGU for Celebrity Management, casting and production of digital ADV content also coincides with the company R.E.D. Carpet S.r.l.; the CGU of authoring, encoding & digital delivery does not coincide with the company Arte Video S.r.l. (as this company operates not only in the A, E & DD sector but also in the film production sector).

On these premises, the Group then proceeded to verify the recoverability of the net invested capital of the CGUs identified ("first level test"), authoring, encoding & digital delivery and Celebrity Management, casting and production of digital ADV content.

Valuation approach

The Group carried out impairment tests for both CGUs. The discount rate of cash flows is the weighted average cost of capital (WACC). It was calculated as the weighted average of the cost of equity.

With reference to the cost of equity (k_E), the Capital Asset Pricing Model ("CAPM") was used, the parameters of which were identified as follows: (i) the return on risk-free securities (risk-free rate) was calculated with reference to the yield curve of Italian government bonds (10-year BTPs). The risk-free rate used for Italy was equal to 0.68 for 2020; (ii) for the estimate of the non-differentiable systemic risk coefficient, beta, reference was instead made to the inputs used by international practice (i.e. Damodaran), the estimate of which is based on the average values of the relevant sector. The average β value applied was equal to 0.96; (iii) the estimated equity risk premium was equal to 6.62%; (iv) a 4% premium was also added for the additional risk related to the lack of diversification of the portfolio of activities carried out and to the uncertainty about the business outlook.

The discount rate used for the year was equal to 11.04%.

The estimated future cash flows were obtained from a 3-year plan in line with the provisions of IAS 36. At the end of the explicit projection period, a Terminal Value was estimated by projecting in perpetuity a normalized annual cash flow and considering a constant annual growth rate (g) for this flows equal to 5%, estimated considering the prudential appreciation of the future growth potential of the activity beyond the explicit forecast period and the need of the company to make the investments necessary to maintain a competitive advantage.

The impairment test has shown that the recoverable value exceeds the book value.

Lastly, a sensitivity analysis was carried out which confirmed the negative results of the impairment test.

Note 7 Tangible assets

Tangible assets were equal to €214 thousand. The increase in the item compared to 31 December 2019, when it was equal to €208 thousand, is mainly related to the consolidation of the tangible assets of the subsidiaries.

Note 8 Deferred tax assets

Deferred tax assets, equal to €6,289 thousand consist of taxes calculated on the temporary deductible differences deriving from a misalignment between the book values recognised in the financial statements and the corresponding values recognised for tax purposes. The breakdown of the deferred tax assets as at 31 December 2020, compared to 31 December 2019, is provided below:

€/000	31-dic-20	31-dic-19	Change
Amortisation of intangible assets	5,523	3,261	2,262
Write-downs of intangible assets	413	413	-
Other temporary differences	353	104	249
Total deferred tax assets	6,289	3,778	2,511

It should be remembered that deferred tax assets are recognised to the extent that the likelihood of the existence of adequate future tax profits can make applicable the use of the deductible temporary differences and tax assets and liabilities carried forward.

Deferred tax assets were accounted for consistently with the estimate of the probable time manifestation and the amount of future taxable profits, as foreseen in the 2021-2023 business plan.

Note 9 Equity investments recognised using the equity method

Total equity investments in associated companies as at 31 December 2020 were equal to €18 thousand. This amount refers to the company Furuna Crafts d.o.o.

Note 10 Other non-current assets

Other non-current assets were equal to €2,334 thousand and consisted of receivables due beyond the year (i) for the consideration paid to the Group by Tatatu S.p.A. and related to the closure of the ADV Business Unit (€1,731 thousand), and (ii) for a portion of the Minimum Guarantee, equal to €533 thousand, for the film Eddie & Sunny.

Note 11 Trade receivables

Trade receivables were equal to €16,787 thousand. A breakdown is provided below:

€/000	31-dic-20	31-dic-19	Change
Trade receivables due from third-party customers	16,787	19,457	(2,670)
Receivables due from related parties	-	743	(743)
Total trade receivables	16,787	20,200	(3,413)

Trade receivables are generated by normal business activity and are regularly collected at the due dates set in the sales agreements.

The following table provides the geographical breakdown of trade receivables:

€/000	31-dic-20	31-dic-19	Change
Receivables due from Italian customers	5,486	172	5,314
Receivables due from non-EU customers	11,301	20,028	(8,727)
Total trade receivables	16,787	20,200	(3,413)

The company carries out a specific assessment of the credit risk for each customer. As at 31 December 2020, doubtful debts equal to €122 thousand were identified through this analysis.

€/000	31-dic-20	31-dic-19	Change
Gross trade receivables	16,909	20,311	(3,402)
Bad debt provision	(122)	(111)	(11)
Total trade receivables	16,787	20,200	(3,413)

Note 12 Tax receivables

The following table presents the breakdown of the tax receivables as at 31 December 2020 and 31 December 2019:

€/000	31-dic-20	31-dic-19	Change
VAT credit	801	1,586	(785)
Film production tax credit	20,052	13,059	6,993
Film self-distribution tax credit	520	-	520
R&D tax credit	-	6,463	(6,463)
IPO tax credit	209	500	(291)
IRES credit	93	-	93
Other tax receivables	46	-	46
Total tax receivables	21,721	21,608	113

The film production tax credit refers to the tax incentive deriving from the tax credits granted to film production companies in relation to the costs incurred for the production of audiovisual works of Italian nationality.

Note 13 Current financial liabilities

The item, equal to €4,348 thousand, consists of financial investments made by the Group to optimize the management of uncommitted funds.

Note 14 Other current assets

The breakdown of the item Other current assets is provided in the following table:

€/000	31-dic-20	31-dic-19	Change
Advances to suppliers	150	128	22
Receivable from ADS	3,300	-	3,300
Receivables from Lazio Region	117	-	117
Other receivables	-	19	(19)
Prepaid expenses	23	4	19
Total other current assets	3,590	151	3,439

The relationship with ADS is connected with the receivable from the Serbian company Archangel Digital Studios, user of the service activities of the Iervolino Studios Group company.

Note 15 Assets deriving from contracts with customers

The item includes activities for work in progress related to service activities carried out in Serbia and recognized according to the stage of completion.

Note 16 Cash and cash equivalents

The item includes the balance of cash and cash equivalents.

There are no restrictions on cash and cash equivalents as at 31 December 2020 and 31 December 2019.

Note 17 Shareholders' Equity

The composition of the item is provided below:

€/000	31-dic-20	31-dic-19	Change
Share capital	1,401	1,335	66
Legal reserve	497	497	-
Share premium reserve	16,491	16,263	228
Other reserves	(27)	-	(27)
Profits/(losses) carried forward	29,181	9,306	19,875
Profit/(loss) for the year	19,498	20,249	(751)
Total shareholders' equity	67,041	47,650	19,391
<i>of which minority interests</i>	-	-	-

Share Capital

As at 31 December 2020, the share capital was equal to €1,401 thousand, fully paid, and divided among 35,016,104 shares. The increase in share capital compared to the previous period is related to: (i) the acquisition of the subsidiary Arte Video S.r.l. (€1 thousand), (ii) the acquisition of the subsidiary R.E.D. Carpet S.r.l. (€1 thousand), (iii) with the mandatory conversion into ordinary shares of the 77 bonds with a nominal value of €100 thousand of the bond loan "Iervolino Entertainment S.p.A. Converting 3% 2019-2020" (€64 thousand).

Legal reserve

As at 31 December 2020, the legal reserve was equal to €497 thousand.

Share premium reserve

As at 31 December 2020, the share premium reserve consists of:

- listing of the shares on the AIM Italia multilateral trading system ("AIM Italia") organised and managed by Borsa Italiana S.p.A. ended with the start of trading on 5 August 2019 (€8,240 thousand);
- conversion of the bonds deriving from the convertible bond loan "Iervolino Entertainment S.p.A. Convertible Bond 5% 2019" (€707 thousand);
- issue of the automatically convertible bond loan "Iervolino Entertainment S.p.A. Converting 3% 2019" (€7,251 thousand);
- acquisition of the subsidiaries Arte Video S.r.l. and R.E.D. Carpet S.r.l. (€293 thousand).

Automatically convertible bond loan "Iervolino Entertainment S.p.A. Converting 3% 2019-2020"

In December 2019, the Company issued the bond loan "Iervolino Entertainment S.p.A. Converting 3% 2019-2020" for a total amount of €7,700 thousand, after the Shareholders' Meeting in extraordinary session approved the issue.

The Shareholders' Meeting also approved a paid share capital increase, separable, except for the exclusion of the option right, in the service of the bond issue. The mandatory convertible bond issue has a duration of 12 months from the date of issue, that is, it matures on 23 December 2020 and pays a fixed annual interest rate of 3% with deferred semi-annual payments.

On 23 December 2020, the bonds were automatically converted into 1,589,825 new shares at the conversion

price of €4.8433.

Other reserves

A breakdown of the item Other reserves as at 31 December 2020 and 2019 is provided below:

€/000	31-dic-20	31-dic-19	Change
Translation reserve	8	-	8
OCI reserve IAS 19	(35)	-	(35)
Other reserves	(27)	-	(27)

The objectives of Iervolino in capital management are inspired by the creation of value for shareholders, the guarantee of the interests of the stakeholders and the safeguarding of the business continuity, as well as the maintenance of an adequate level of capitalization allowing economic access to external sources of financing aimed at adequately supporting the development of the Group's activities.

Note 18 Non-current financial liabilities

A breakdown of the item Non-current financial liabilities as at 31 December 2020 and 2019 is provided below:

€/000	31-dic-20	31-dic-19	Change
Loans	10,281	1,048	9,233
Basket Bond	7,798	-	7,798
Other non-current financial liabilities	29	-	29
Total non-current financial liabilities	18,108	1,048	17,060

The item includes medium/long-term variable and fix rate bank loans. The following table shows the loans taken out by the Company:

€/000	Disbursing institution	Type of loan	Interest rate	Amount disbursed	Origination year	Maturity year	Within 1 year	Between 1 and 5 years	Over 5 years
	Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	114	293	-
	Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	114	302	-
	Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2023	138	277	-
	Intesa San Paolo S.p.A.	Loan	4.75% (until 30/06/2020) - 3M Euribor + 2.5% spread	4,100	2020	2025	-	4,100	-
	Intesa San Paolo S.p.A.	Loan	3M Euribor + 2.6% spread	5,500	2020	2025	-	5,500	-
	Intesa San Paolo S.p.A.	Basket Bond	4.07%	8,000	2020	2027	-	5,535	2,465

In particular, the regulation of the Basket Bond provides for specific economic/financial covenants with predefined threshold values in terms of Net Financial Position/EBIT, Net Financial Position/Shareholders' Equity and EBIT/Gross Interest. As at 31 December 2020, these covenants had been fulfilled.

Note 19 Current financial liabilities

Current financial liabilities as at 31 December 2020 were equal to €5,378 thousand, broken down as follows:

€/000	31-dic-20	31-dic-19	Change
Loans	-	6,193	(6,193)
Short-term portion of non-current financial payables	366	307	59
Financial payables - Bond interest	-	231	(231)
Other current financial liabilities	37	-	37
Current account overdraft	4,975	722	4,253
Total current financial liabilities	5,378	7,453	(2,075)

Note 20 Trade payables

Trade payables were equal to €25,289 thousand, as indicated in the following table:

€/000	31-dic-20	31-dic-19	Change
Trade payables	25,289	26,300	(1,011)
Payables to related parties	-	132	(132)
Total trade payables	25,289	26,432	(1,143)

The total of trade payables represents the amount due by the Company to suppliers for services purchased.

The following table provides a geographical breakdown of trade payables:

€/000	31-dic-20	31-dic-19	Change
Payables to Italian suppliers	10,738	1,868	8,870
Payables to EU suppliers	6,653	219	6,434
Payables to non-EU suppliers	7,898	24,345	(16,447)
Total trade payables	25,289	26,432	(1,143)

Note 21 Tax payables

The item Tax payables includes the amounts due for IRES, IRAP and other current taxes. A breakdown is provided below:

€/000	31-dic-20	31-dic-19	Change
Payables for current taxes	810	2,052	(1,242)
VAT payables of previous years	150	-	150
Sundry tax payables	665	194	471
Total tax payables	1,625	2,246	(621)

Among the tax payables as at 31 December 2020, the most significant item represents income tax due (€810 thousand).

Note 22 Contractual liabilities

As at 31 December 2020, contractual liabilities were equal to €2,980 thousand; the breakdown compared to the amounts as at 31 December 2019 is provided below:

€/000	31-dic-20	31-dic-19	Change
Contractual liabilities	2,980	10,558	(7,578)
Total contractual liabilities	2,980	10,558	(7,578)

The contractual liabilities derive from the cash received for performance obligations that will be fulfilled in the following year.

Note 23 Other current liabilities

As at 31 December 2020, other current liabilities were equal to €9,062 thousand; the breakdown compared to the amounts as at 31 December 2019 is provided below:

€/000	31-dic-20	31-dic-19	Change
Payables to personnel	213	86	127
Deferred income	8,769	7,186	1,583
Other payables	80	88	(8)
Total other current liabilities	9,062	7,360	1,702

Other current liabilities mainly consist of deferred income related to the share of public grants - tax credits that pursuant to IAS 20 must be systematically distributed among the years to match the recognition of the costs they are meant to offset.

Note 24 Revenues

Revenues were equal to €97,482 thousand and refer to the following operating segments:

€/000	31-dic-20	31-dic-19	Change
Film production revenues	94,560	64,208	30,352
ADV revenues	1,090	752	338
Celebrity management, casting and digital ADV content production revenues	897	1,311	(414)
Authoring, encoding & digital delivery revenues	935	-	935
Total revenues	97,482	66,271	31,211

Revenues from film productions relate to: (i) the sale of intellectual property rights during the year (€85,112 thousand); (ii) the transfer of the "pipeline" license (€4,688 thousand); (iii) the transfer of the character license (€1,645 thousand); (iv) revenues for services activities (€2,881 thousand); (v) other revenues (€234 thousand).

€/000	31-dic-20	31-dic-19	Change
IP right sale revenues	85,112	64,208	20,904
Pipeline right sale revenues	4,688	-	4,688
Character right sale revenues	1,645	-	1,645
Service revenues	2,881	-	2,881
Other revenues	234	-	
Total revenues	94,560	64,208	30,118

Revenues from disposals were recognised when the company transferred the right to use the license, pipeline and characters. Pursuant to IFRS 15, revenues are recognised at a point in time, as the company sells a right to use, and connected to services actually contracted during the year.

Revenues related to film production services are recognised with reference to the stage of completion. Revenues related to royalties based on the use and on the sales of an IP licence are recognised if both the following conditions are satisfied: (i) use has occurred and (ii) the performance obligations, based on which some or all the royalties based on the use of an IP licence were allocated, were satisfied.

Estimated revenues are not recognised in the financial statements.

A breakdown of film production revenues by film/web series is provided below:

€/000	31-dic-20	31-dic-19	Change
Sale of IP rights	85,112	64,136	20,976
The Poison Rose	90	2,500	(2,410)
Arctic Friends web series	55,902	30,188	25,714
Women Stories	3,630	3,750	(120)
Waiting for the Barbarians	200	15,873	(15,673)
Eddie & Sunny	1,585	-	1,585
Puffins web series	23,705	10,725	12,980
Giving Back	-	1,100	(1,100)
Sale of pipeline rights	4,688	-	4,688
Arctic Friends web series	4,688	-	4,688
Sale of character rights	1,645	-	1,645
Arctic Friends web series	1,645	-	1,645
Services activities	2,881	-	2,881
Puffins Impossible	2,881	-	2,881
Other film production revenues	234	72	162
Total film production revenues	94,560	64,208	30,352

Revenues are mainly from non-EU customers (€87.5 million); the remainder is from Italian customers.

The company's revenue is not overall significantly influenced by seasonality related to events occurring at certain times of the year.

Estimated revenues are not recognised with reference to ADV, Celebrity Management and Digital Delivery revenues. ADV, Celebrity Management and Digital Delivery revenues are all from Italian customers.

Note 25 Other revenues and income

The item includes the income realized following the sale of the rights to receive the income from the economic use of the film Waiting for the Barbarians (€4,569 thousand) and the episodes delivered in 2018 of the Arctic Friends web series (€4,045 thousand).

€/000	31-dic-20	31-dic-19	Change
Back-end right sale income	8,614	-	8,614
Other income	293	89	204
Total other revenues and income	8,907	89	8,818

Consistent with the margins of the audiovisual work, the recognition of the income entailed the recognition of the relevant portion of tax credit equal to €2,215 thousand and an adjustment of the capitalized values of intangible assets equal to €6,618 thousand.

Note 26 Tax credits and other government grants

The item mainly consists of the tax credit for film production: it refers to the tax incentive deriving from the tax credits granted to film production companies in relation to the costs incurred for the production of audiovisual works of Italian nationality.

A breakdown of the tax credits and other government grants is provided below:

€/000	31-dic-20	31-dic-19	Change
Film production tax credit	11,406	8,953	2,453
The Poison Rose	338	552	(214)
Arctic Friends web series (different seasons)	5,517	2,737	2,780
Women Stories	700	760	(60)
Waiting for the Barbarians	995	3,142	(2,147)
Eddie & Sunny	674	-	674
Puffins web series (different seasons)	3,182	1,431	1,751
Giving Back	-	331	(331)
R&D tax credit	2,303	4,695	(2,392)
Arctic Friends web series	2,303	4,695	(2,392)
Other government grants	637	-	637
Total tax credits and other government grants	14,346	13,648	698

Note 27 Service costs

A breakdown of the item Service costs and a comparison to the balances of the previous year is provided in the following table:

€/000	31-dic-20	31-dic-19	Change
ADV costs	541	859	(318)
Celebrity management costs	643	1,248	(605)
Costs for providing services	412	-	412
Costs for digital delivery	314	-	314
Self-distribution costs	1,163	-	1,163
Travel and lodging	138	212	(74)
Misc. administrative expenses	869	310	559
Bank fees	60	28	32
Technical consulting	318	325	(7)
Marketing costs	82	79	3
Insurance costs	41	22	19
IPO costs	-	163	(163)
Fees to Directors	1,112	541	571
Rentals and leases	68	45	23
Fees to Board of Statutory Auditors	60	30	30
Other service costs	183	34	149
Total service costs	6,004	3,896	2,108

The increase in the item compared to the previous period is mainly due to the costs incurred for self-distribution and the increase in costs associated with the consolidation of subsidiaries.

Note 28 Personnel costs

A breakdown of the item Personnel costs and a comparison to the balances of the previous year is provided in the following table:

€/000	31-dic-20	31-dic-19	Change
Salary and wages	1381	287	1,094
Social security contributions on salary and wages	283	82	201
Allocation to employee severance indemnity	65	25	40
Total personnel costs	1,729	394	1,335

Note 29 Amortisation/depreciation, write-downs and provisions

The breakdown of the item Amortisation/depreciation, write-downs and provisions and its comparison to the balances of the previous year is provided in the following table:

€/000	31-dic-20	31-dic-19	Change
Amortisation of intangible assets	90,346	52,333	38,013
Amortisation of <i>The Poison Rose</i>	1,447	2,228	(781)
Amortisation of <i>Arctic Friends WS</i>	55,670	24,640	31,030
Amortisation of <i>Puffins WS</i>	24,272	10,534	13,738
Amortisation of <i>Waiting for the Barbarians</i>	3,302	10,984	(7,682)
Amortisation of <i>Women Stories</i>	2,740	2,842	(102)
Amortisation of <i>Eddie & Sunny</i>	2,190	-	2,190
Amortisation of <i>Giving Back</i>	-	1,068	(1,068)
Amortisation of other rights and other intangible assets	725	37	688
Depreciation of tangible assets	48	4	44
Amortisation/depreciation	90,394	52,337	38,057
Write-downs and provisions	12	410	(398)
Total amortisation/depreciation, write-downs and provisions	90,406	52,747	37,659

The increase in amortisation/depreciation is connected with the application of the "film forecast computation method", based on which the amortisation/depreciation at the reporting date is calculated in relation to the useful life of the asset and estimated, having regard to the specific characteristics of the individual productions and their visibility, prudentially over a maximum time horizon of four years.

Note 30 Financial income and charges

The item Financial charges and its comparison to the balances of the previous year are provided in the following table:

€/000	31-dic-20	31-dic-19	Change
Gains on exchange rates	1,124	319	805
Other financial income	3	166	(163)
Total financial income	1,127	485	642
Interest expense on loans	279	279	-
Interest expense on bonds	-	44	(44)
Amortised cost	63	-	63
Losses on exchange rates	1,340	411	929
Other financial charges	102	19	83
Total financial charges	1,784	753	1,031

Note 31 Income taxes

The breakdown of the item Income taxes is as follows:

€/000	31-dic-20	31-dic-19	Change
IRES	4,039	3,848	191
IRAP	465	507	(42)
Taxes from previous years	(110)	(71)	(39)
Deferred taxes	(2,510)	(2,154)	(356)
Total income taxes	1,884	2,130	(246)

The difference between the standard tax rate for IRES, of 24%, and the effective tax rate, of 9%, is mainly attributable to the combined effect produced by: (i) an increase related to the amortisation of intangible assets for €23.1 million; (ii) a decrease of €14.2 thousand in revenues from public grants; (iii) a decrease related to the amortisation charge on intangible assets recovered for taxation in 2020 for €13.6 million.

Note 32 Earnings per share

Basic earnings per share is calculated by dividing the annual profit to be attributed to the Group's ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit to be attributed to the Group's ordinary shareholders (after adjustment to take into account the interest on the convertible bonds) by the weighted average number of ordinary shares outstanding during the year and by those deriving from the conversion of all convertible bonds.

The result and information on the shares used to calculate the basic and diluted earnings per share are shown below:

	31-dic-20	31-dic-19
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	22,495,978	10,977,594
Profit for the year	19,498,327	20,249,129
Basic earnings per share (ordinary shares)	0.87	1.84
 Bonds convertible into ordinary shares	 1,574,642	 1,574,642
Diluted earnings per share (ordinary shares)	0.81	1.61

Note 33 Other information

33.1 Transactions with related parties

The financial and economic transactions of the Issuer with related parties from 1 January 2020 to 31 December 2020 are as follows:

	Trade receivables	Other assets	Trade payables	Other liabilities	Revenues	Costs
	€/000	€/000	€/000	€/000	€/000	€/000
TATATU S.p.A.	-	1,731	-	-	1,090	-
Total related party transactions	-	1,731	-	-	1,090	-
Total of financial statement items	16,787	113,295	25,289	37,752	120,735	98,695
Weight on financial statement items	0%	2%	0%	0%	1%	0%

The transactions carried out by the Group with related parties at market conditions concern the consideration paid by TATATU Enterprises Ltd (now TATATU S.p.A.) to Iervolino Entertainment S.p.A. following the closure of the ADV business unit.

The financial and economic transactions of the Issuer with related parties from 1 January 2019 to 31 December 2019 are as follows:

	Trade receivables €/000	Other assets €/000	Trade payables €/000	Other liabilities €/000	Revenues €/000	Costs €/000
Ladybug Film S.r.l.*	-	-	-	-	-	502
TATATU Enterprises Ltd	642	-	-	-	2,143	375
Ambi Distribution Ltd	31	-	-	-	14,830	-
Arte Video S.r.l.	70	-	110	-	70	110
AIC studio's Inc	-	-	22	-	-	27
Total related party transactions	743	-	132	-	17,043	1,014
Total of financial statement items	20,200	82,884	26,432	76,652	80,009	57,362
Weight on financial statement items	4%	0%	0%	0%	21%	2%

* Note: the company is no longer a related party since June 2019

The transactions carried out by the Parent Company with related parties mainly concern:

- The post-production service related to the Arctic Justice web series carried out by Ladybug Film S.r.l. (a company no longer a related party from June 2019);
- The purchase by TATATU of the world rights for streaming of the Vod Cast Giving Back on the TATATU platform (€1,100 thousand) and the film and extra content of Waiting for the Barbarians (€1,043 thousand);
- The fee paid to TATATU for advertising revenue accrued and collected in the period by Iervolino Entertainment for the advertising agency business (€375 thousand);
- The purchase by Ambi Distribution Ltd of the world rights to the film Waiting for the Barbarians (€14,830 thousand);
- The provision of post-production service related to the Puffins web series carried out by Arte Video S.r.l.

33.2 Fees due to the Independent Auditors

The following table shows the fees for auditing services and for other services provided by the auditing firm:

Service	Party	Total
Statutory and accounting audit as at 31 December 2020	EY S.p.A.	80
Limited audit of the half-yearly report as at 30 June 2020	EY S.p.A.	20
Other services	EY S.p.A.	8
Total		108

33.3 Commitments and guarantees given by the Group

As part of its activities, the Group has received and given guarantees to obtain financial credit lines to obtain short and medium/long-term credit lines.

€/000	31-dic-20
Guarantees provided by the Company	4,364
Guarantees received by the Company	9,930
Total guarantees given and received	14,294

33.4 Information pursuant to Art. 1, Par. 125, Law no. 124, 4 August 2017

In compliance with the obligations of transparency of public disbursements introduced by Art. 1, Par. 125-129 of Law no. 124/2017, it should be noted that:

- In regard to grants recognized pursuant to Regional Law no. 2, 13 April 2012, and subsequent amendments, the company recognised under Tax credit and other government grants the following economic benefits not yet collected at the end of the year:

€/000			
Granting authority	Contribution recognised	Title of work	Amount
Lazio Region	Investment grants	The Poison Rose	48
Lazio Region	Investment grants	Waiting for the Barbarians	50
Lazio Region	Investment grants	Arctic Friends - season II	6
Lazio Region	Investment grants	Arctic Friends - season III	12
Total			116

- In regard to tax credits for independent producers of audiovisual works pursuant to Art. 8, Par. 2, of Law Decree no. 91, 8 August 2013; Min. Decree 5 February 2015; and Min. Decree Tax Credit 15/03/2018 referring to Art. 15 and Art. 16 of Law no. 220, 14 November 2016, a breakdown of the tax credit accrued in 2019 and 2020 is provided below:

€/000			
Granting authority	Title of work	Tax credit accrued in 2020	Tax credit accrued in 2019
MIBACT	Women Stories	-	2,620
MIBACT	Arctic Friends web series (various seasons)	6,177	3,986
MIBACT	Puffins web series (various seasons)	3,971	2,181
MIBACT	Waiting for the Barbarians	520	4,187
MIBACT	Eddie & Sunny	1,233	-
Total		11,901	12,974

- Pursuant to Art. 24, Law Decree 34/2020, in 2020, the company did not pay the balance of the 2019 IRAP and the first instalment of the 2020 IRAP advance.

33.5 Events after the end of the reporting period

No events or transactions that could impact these financial statements took place after the end of the financial year.

33.6 Transactions deriving from atypical and/or unusual operations

In the period between 31/12/2019 and 31/12/2020, no atypical and/or unusual transactions were carried out.

Iervolino Entertainment S.p.A.

Consolidated financial statements as at December 31, 2020

Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Iervolino Entertainment S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Group Iervolino Entertainment (the Group), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Iervolino Entertainment S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Iervolino Entertainment S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Iervolino Entertainment S.p.A. are responsible for the preparation of the Report on Operations of Group Iervolino Entertainment as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Iervolino Entertainment Group as at December 31, 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Iervolino Entertainment Group as at December 31, 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, April 1, 2021

EY S.p.A.
Signed by: Andrea Eronidi, Auditor

This report has been translated into the English language solely for the convenience of international readers.

11. HALF-YEAR CONSOLIDATED FINANCIAL REPORT AS AT 30 JUNE 2021



Half-Year Consolidated Financial Report as at 30 June 2021

Parent Company: IERVOLINO & LADY BACARDI ENTERTAINMENT S.P.A.

Registered office: Via Barberini no. 29 - 00187 - Rome

Registered in the Companies Register of: ROME

Tax code and VAT no.: 11636381003

Registered in the Economic and Administrative Index (REA) of ROME no. RM-1318599

Subscribed share capital: € 1,400,644.00 fully paid-up

REPORT ON OPERATIONS OF THE ILBE GROUP FOR THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

- 1. Introduction**
- 2. The macroeconomic context and the reference industry of "Media & Entertainment"**
- 3. ILBE Group business model**
- 4. The activities carried out in the first half of 2021**
- 5. Backlog and projects under development**
- 6. Key figures and alternative performance indicators (APIs)**
- 7. Transactions with related parties**
- 8. Human resources**
- 9. Research and development**
- 10. Information on the main risks and uncertainties**
- 11. Significant events after the end of the period**
- 12. Business outlook**

**CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES AS
AT 30 JUNE 2021**

Half-year consolidated statement of financial position

Statement of consolidated comprehensive profit/(loss) for the half-year

Half-year consolidated statement of changes in shareholders' equity

Half-year consolidated cash flow statement

- 1. Corporate information**
- 2. Drafting principles and changes in the Group's accounting policies**
- 3. Operating Segments: Disclosure**
- 4. Explanatory notes**

REPORT OF THE INDEPENDENT AUDITORS EY S.p.A.

REPORT ON OPERATIONS OF THE ILBE GROUP FOR THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

1. Introduction

The condensed half-year consolidated financial statements as at 30 June 2021 of the lervolino & Lady Bacardi Entertainment Group (hereinafter also the ILBE Group or Group) represent the second consolidated financial statements and include the parent company lervolino & Lady Bacardi Entertainment S.p.A. (formerly lervolino Entertainment S.p.A.) and the investments in Arte Video S.r.l. and Arte Video Llc, R.E.D. Carpet S.r.l., lexchange S.r.l. and lervolino Studios d.o.o. with a minimal change (Arte Video Llc) compared to the scope of the previous year.

The Parent Company, following the resolution of the shareholders' meeting of 23 June 2021, changed the company name to "lervolino & Lady Bacardi Entertainment S.p.A.", in short with the abbreviation "ILBE S.p.A." to receive greater and greater attention from foreign markets. The decision to include the name of Lady Monika Bacardi, an important name at international level, is to be considered within this framework: she is a female entrepreneur, our major shareholder and producer of all our projects, who has always strongly believed in the Company and in the Group.

This was followed by a real rebranding process, which saw the creation of a new logo inspired by the structural elements of the film reel: a harmonic system of letters, of geometries that communicate by means of joints and links, to evoke the connection, the union, the compactness of ideas, people, society.

The renewed ILBE brand expresses at the same time the plurality and the dynamism of the international company: the brand was designed in a "reassuring" framework that makes the graphics stable and solid, as well as dynamic at the same time, through the changing contents.

The half-year consolidated financial statements as at 30 June 2021 closed with total revenues of € 114,170 thousand, with an increase of € 58,682 thousand compared to the first half of 2020 (+106%).

In the first half of 2021, EBIT, before non-recurring charges for € 899 thousand, was equal to € 15,903 thousand, up by € 3,722 thousand on the same period of 2020 (+31%).

These excellent results derive from the strategic decisions of:

- (i) Investing in quality Intellectual Properties;
- (ii) choose of an essentially international market, mainly to be enjoyed by the public via streaming;
- (iii) Prioritising growth and value creation over time compared to greater short-term profitability;
- (iv) Investments and growth in the context of financial balance.

In this regard, the success of the "Arctic Friends" and "Puffins" collections at the top of the list of the Apple TV and Amazon Prime Video subscribers has validated the choices made.

Conversely, the effects of the COVID-19 pandemic were limited and essentially consisted of (i) an increase in non-recurring costs for production in "smart-working" mode, equal

approximately to € 2,517 thousand, of which € 181 thousand and € 899 thousand accrued in the six months of 2020 and 2021, respectively; (ii) the cascade postponement of the production of films; and (iii) a postponement of the corresponding deliveries, which the Group responded to from 2020 with the anticipation of some productions of the "Arctic Friends" and "Puffins" web series and by revising its financial plans.

2. The macroeconomic context and the reference industry of "Media & Entertainment"

Some preliminary considerations on the evolution of future market trends related to the evolution of the COVID-19 pandemic

The restriction measures and the subsequent easing of some daily activities carried out by the Governments of most countries to contain the pandemic have led to changes in the behaviours, activities and wishes of the public, some of which will, probably, last as they represent the acceleration of dynamics already underway.

These are the trends that, unlike the temporary ones, foreshadow the future. Among the trends most analysed by analysts and experts, even if still evolving and not yet consolidated, it is worth mentioning:

- ✓ the new frontiers of healthcare;
- ✓ the mentality of the new generations;
- ✓ the centrality of ESG (Environmental, Social and Governance) factors.

The new frontiers of healthcare will probably be marked by changes in the regulatory framework that imply protection from some risks but also taking of risks. Provisions in support of this trend could give a boost to the development of new drugs, but also to genomics and high-precision medicine, while new rules aimed at protecting against risk could push new technologies able of ensuring more prepared health systems.

The mentality of the new generations in general consists in adopting an online approach in all fields, from e-commerce to entertainment and e-learning. In this respect, too, it is reasonable to think that the trend will outlast the pandemic and that, from the point of view of the investor, will reward companies with a solid digital footprint.

Finally, the commitment to and focus on environmental, social and governance aspects to promote a more sustainable society and economy, which are at the top of the agendas of the major players of global society and economy.

The relevance of these factors lies in the increasing weight given to non-financial sustainability reporting (so-called "social report"), which, together with an adequate communication policy in compliance with the principle of accountability, is an irreplaceable, globally recognised instrument to establish a corporate identity.

The macroeconomic and market context: an industry undergoing restructuring at global level

2021 presents itself to the operators of the "Media & Entertainment" market with an overview that has been permanently changed by the pandemic. Consumers have adopted new habits and preferences, while the impacts that hit the industry in the previous year increased.

As we slowly move into a post-COVID-19 world, some structural trends generally accepted by the observers of market dynamics must be carefully taken into account.

At global level, the Media & Entertainment industry can be considered as under renovation. The majority of research activities and studies at global level show that the most industry executives believe that they can no longer rely on traditional business models to drive future growth, highlighting an imperative strategic and operational reinvention.

The COVID-19 impacts have accelerated and amplified the long-standing secular changes, including the growth of streaming, the decreasing use by users of multi-channel television services available via cable or satellite in response to competition from the media available on the Internet (so-called cord-cutting effect), the lower presence at cinemas and the greater attention of media consumers for the price to value ratio. COVID-19 has also caused short-term cyclical shocks. Lockdowns and travel restrictions have obstructed virtually all companies that rely on the physical aggregation of people. Industry executives are responding by taking bold measures to reposition their companies and align them with the new market scenarios.

The consolidation catalysts for the companies in the Media & Entertainment market are clearly defined. In particular, they include the strategic need to acquire content to feed the streaming growth and the tactical reality that increasing size enables efficiencies and unlocks incremental investment capital.

Companies in the sector that lack scalable elements to increase efficiency are faced with a crucial choice: trying to move forward alone over troubled waters or moving quickly to bond themselves with a similarly positioned peer to improve competitive and financial positioning. Moreover, they must also set their strategy while navigating the uncertainty arising from the pandemic.

In the future, at global level, we will probably see further aggregation transactions that will involve the owners and studios of medium and small-sized networks, motivated by the need to create critical mass to finance the investment in content, marketing and technology needed to pivot towards a direct-to-consumer model.

The value of connection quality

Cable companies are achieving record results from their high-speed data offerings as consumers rely more than ever on fast Internet connectivity for work, school and entertainment.

Pay TV packages, which were in the past the cornerstone of the relationship with subscribers, are de-emphasized in favour of broadband speed levels and other related services. According to the Digital Home study of an important international consulting firm, 40% of respondents buy Internet-only packages from cable companies, with an increase of 8% on an annual basis, further strengthening market dynamics.

In the future, cable companies will seek to expand more deeply into households by implementing a wider suite of products that are based on the main Internet connection, including in the adjacent areas of "smart homes" such as home security, a variety of connected devices - thermometers, doorbells, household appliances - and potentially telemedicine applications.

Further integration into the households makes good strategic sense for cable companies as wireless providers begin to roll out large-scale 5G networks.

Returning to events in person

In-person events will see a robust return as the human need for shared experiences remains extraordinarily powerful. We are already seeing this in selective sporting events where limited crowds have returned to stadiums to cheer for their teams. Even in this way, in the absence of a fully distributed COVID-19 vaccine, mitigation strategies will be required when fans return. This will change the dynamics of events and potentially open up new innovative channels to improve the consumer experience.

Corporate conferences will continue to use digital platforms to extend reach and include remote participants who remain wary of business travel. The music venues will push forward with creative audience layouts to encourage participation, while promoting interactive options. Large stadiums will use their vast capacity to design blocks of tickets that meet physical distancing guidelines. Theme parks will promote security measures and offer attractive offers to guide admissions.

While acting as a bridge towards a complete reopening, these solutions will also keep the public engaged and establish new multi-channel and personalised connections - mobile and powered by sophisticated data analysis - that will become part of the consumer value proposition.

eSports and videogames

eSports and videogames will be based on a user base that has multiplied in size during the pandemic. When sporting events were closed, teams, leagues, athletes and promoters embraced eSports competitions involving simulations of real-life events to keep fans engaged and fill streaming slots.

From car racing to basketball, cycling and even horse racing, millions of people have tuned in to virtual events, opening up a broad new path of consumer engagement that is expected to grow in 2021.

Meanwhile, videogame revenues have almost doubled over the past five years. The launches of new games by publishers, combined with the growth of microtransactions and in-game advertising, are leading to another record year for the industry. The following versions of the next generation consoles and the launch of game cloud streaming services will further fuel demand also in 2021.

Success will depend on industry leaders adapting strategies to deal with unforeseen market opportunities and threats. With disruption being a constant element, the only way to survive and thrive in exceptional circumstances is to build systemic agility and perform at lightning speed.

In the future, companies will be successful not because they are better at predicting future market dynamics, but because they are able to better manage a broad ecosystem of internal talents and external partners and to act in a timely and confident manner.

The effects related to the COVID-19 pandemic and on future market trends on ILBE Group activities

Trying to contextualise the macroeconomic effects and market trends outlined above, what follows illustrates the effects on the activities of the ILBE Group.

a) Activities for the year 2021

With reference to the restrictions linked to the outbreak of the COVID-19 pandemic, the productions of the ILBE Group, being mainly intended for streaming platforms, did not suffer significant effects, essentially referring to the non-recurring expenses incurred for the activation of the operating smart-working mode (from home with technological adaptations) for the production of cartoons and some limited postponements of filming.

b) Business outlook

The productions of the ILBE Group will be increasingly focused on the use of streaming platforms and with social impact content following the megatrends mentioned in the paragraph on the evolution of the media market.

Since these aspects already characterise the Group's core business, there are immediate expectations of increasing growth opportunities.

3. ILBE Group business model

ILBE Group is a Global Production Group specialising in the production of film and television content including web series, films, TV shows and short TV shows. Boasting relationships with leading international partners, it interacts with internationally renowned actresses and actors to develop audiovisual productions intended for international distribution.

The Group's activities from which the related revenues derive are:

- ✓ production of films and audiovisual content;
- ✓ use of rights and IP in the portfolio. In particular, as part of the "animation" products, the license of characters and pipelines (processes and processing methods for the production of animated content) in addition to the use of distribution rights;
- ✓ service activities, i.e. executive production carried out for other producers;
- ✓ post-production, activity carried out by the subsidiary Arte Video S.r.l., which is also the official encoding house of Apple iTunes, GooglePlay, Sony Entertainment, Amazon Prime Video, Microsoft, and Rakuten;
- ✓ casting, celebrity management and production of digital ADV content carried out by the subsidiary R.E.D. Carpet S.r.l.

The production of films and audiovisual content is the main activity of the Group carried out by the parent company ILBE, but also by the subsidiaries.

The contents of the audiovisual productions are designed for the global market, with the participation of internationally renowned actors. The productions are usually shot directly in English.

The Group starts the production of film and audiovisual content after reaching agreements for the sale of international distribution rights that provide for the payment of a "guaranteed minimum", thus transferring the performance risk of the work to the international distributors.

The Group retains the intellectual property rights, which can be used in the years following the content production through remakes, sequels and other derivative products.

Revenues and income from the production of films and audiovisual content (TV series) are divided into four main categories:

- ✓ Revenues from the sale of the so-called guaranteed minimum right (GM) to the sales agent or distributor that represent the majority of the revenues of a work; these revenues are realised upon delivery to the customer. The actual production period can last from four to seven months for web series to ten to eighteen months for films whose duration varies in relation to the intrinsic characteristics of the individual works;

Generally speaking, GM collection takes place between five and six months after delivery to the customer, but also after a period of more than one year. In the latter case, the higher participation in the income of the film offsets the higher financial exposure;

- ✓ Government grant income (tax credit or other contributions to the production costs) that is recognised at the time revenues from the sale of international distribution and back-end rights are realised, having regard to the reasonable certainty of their collection.

The collection takes place, on average, eighteen months from the commercial delivery of the work.

- ✓ Revenues deriving from the portion pertaining to income subsequent to the GM (so-called backend, of which the majority obviously pertains to the distributor). In this case, these are revenues that are recognised when they are realised, i.e. the collection that generally takes place over a long-term time horizon; or, in the case of assignment to third parties, at the time of assignment of the related rights.

Revenues from the backend are collected at the time of realisation, which normally takes place over a long-term time horizon;

The backends of the web series include also the licenses of characters and pipelines both in Italy and abroad, which, in this case of works, generate the majority of revenues subsequent to the guaranteed minimum of distribution. The following should be included in this context: (i) the activities of Iervolino Studios d.o.o. (Serbia) for the production of episodes related to the Puffins: Impossible web series, for which the production of several episodes is planned for the commissioning producer, in line with the development plan; (ii) the licensing of characters and processes and processing methods for animated production. These investments then obtain the indirect benefit of enhancing and making the proprietary IPs even more commercial, thus with the possibility of creating new business lines through their commercial use, such as merchandising or videogames.

It should also be noted that the latter transactions are generally part of overall agreements with the producer that envisage also significant investments by the Group in distribution

rights for the works that will be carried out. If on the one hand this increases the quantity and quality of the library of the Company's distribution rights that will result in collections in future years, on the other hand it has a financial absorption effect that reduces the collection deriving from the sale of the rights of the pipeline, i.e. other rights.

- ✓ Income from distribution rights.

The cost of sales of films and audiovisual content, recognised in the three types of revenue mentioned, is given by the portion pertaining to the year of the amortisation of the projects whose costs, during the production phase, are recorded under intangible assets. These investment costs are paid very quickly.

Amortisation is calculated according to the international accounting standard described in the explanatory notes, i.e. the "film forecast computation method", according to which it is calculated on the time horizon over which the intangible asset will generate revenues. The amortisation period, based on the specific characteristics of the individual existing productions, is set at maximum four years. Consequently, at the end of the fourth year the work will have a net book value of zero even if it will not have terminated the ability to generate cash through the backends in subsequent years.

Revenues and margins from Group activities other than the production of films and audiovisual works are recorded on an accrual basis according to the production carried out.

For IFRS 8 purposes, the activities carried out by the Group can be classified in three operating segments, the details of which are shown in note 3 of the financial statements:

- ✓ Film productions, including right and service use activities (production activities carried out on behalf of third parties - the end Intellectual Property is not owned by the Group) and post-production; These activities are carried out in all Group companies;
- ✓ Digital delivery activity. This activity is part of the activity carried out by Arte Video.
- ✓ Celebrity management, casting and production of digital ADV content. This activity is a part of the activity carried out by Red Carpet.

4. The activities carried out in the first half of 2021

Productions

With reference to operating activities, the following production activities of the Parent Company ILBE should be noted:

Arctic Friends (formerly Arctic Justice)

During the year, work ended on "Arctic Friends", a web series started in 2018, based on the animated film produced by Andrea Iervolino "Arctic Justice". The film was released under the title "Arctic Dogs" in US cinemas in 2019 and was among the three most viewed titles in the lockdown period on Netflix US.

The series consists of mini-episodes of 5 minutes each. For a better distribution of the product

on global platforms, it was then decided, in agreement with the distributor, to use, as in other successful cases such as *Minions* and *Tom and Jerry*, a universal language consisting of sounds and noises, thus avoiding dubbing in the different local languages.

This series tells the exciting adventures in the life of Swifty, an Arctic fox who has finally reached his dream job: to be the best delivery dog at "Arctic Blast Delivery Service". With the help of his best friend, the polar bear PB, the exuberant red fox Jade and the ABDS team, this team is ready and determined to deliver whatever they are asked to. Constantly opposed by the nefarious mastermind, Otto Van Walrus, and his spiteful puffins, Swifty must outwit and defeat these baddies to make sure that all packages are delivered to their recipients.

During the year, 68 episodes were produced and delivered, resulting in the recognition of revenues for a total of € 49,041 thousand (including the pertinent government grants) in addition to back-end revenues, revenues from production pipeline licensing and character licensing for a total of € 22,862 thousand.

Distribution is by "Collection" (consisting of 4 episodes) on the Apple TV and Amazon Prime Video platforms, for viewing in around 80 countries.

In particular, the distribution is for *Apple TV* in: Anguilla, Antigua and Barbuda, Argentina, Armenia, Austria, Azerbaijan, Bahamas, Belarus, Belgium, Belize, Bermuda, Bolivia, Botswana, Brazil, British Virgin Islands, Brunei, Bulgaria, Cambodia, Canada, Cape Verde, Cayman Islands, Chile, Colombia, Costa Rica, Cyprus, Czech Republic, Denmark, Dominica, Dominican Republic, Ecuador, El Salvador, Estonia, Fiji, Finland, France, Gambia, Germany, Greece, Grenada, Guatemala, Guinea-Bissau, Honduras, Hong Kong, Hungary, Ireland, Israel, Italy, Laos, Latvia, Lithuania, Luxembourg, Macau, Malta, Mauritius, Mexico, Micronesia, Moldova, Mongolia, Mozambique, Namibia, Netherlands, Nicaragua, Niger, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Saint Kitts and Nevis, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Swaziland, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Trinidad and Tobago, Turkmenistan, Uganda, United Kingdom, United States, Venezuela, Vietnam and Zimbabwe; while for *Amazon Prime Video*, the regions involved are the USA, UK, Japan and Germany.

The debut on *Apple TV* was significant: the first season of "*Arctic Friends*" was ranked second in Italy and first in the family-friendly segment.

Puffins

"*Puffins* the series" is an animated web series, a spinoff of the family-friendly animated film "*Arctic Justice*". The episodes, lasting about 5 minutes each, will have as the main characters the puffins, the cute but spiteful creatures of "*Arctic Friends*".

In June 2020, an agreement was signed to hire Johnny Depp, who will lend his voice for the character Johnny Puff in the "*Puffins*", for 250 of the 5-minute episodes of the web series. As part of the agreement, Johnny Depp will be available to take part in promotional activities, advertising, interviews and press junkets.

The Company will also carry out merchandising activities focused on the Johnny Puff character, who will preserve the unique characteristics of the actor, and introduce them to the public internationally.

The debut on *Apple TV* was also significant for the *Puffins*, where the first season was ranked

first in Italy in the family-friendly segment.

In the first half of 2021, 59 episodes were produced and delivered to the customer, resulting in the recognition of revenues for a total of € 26,540 thousand (including pertinent government grants).

A further 61 episodes are expected to be produced in the second half of the year.

Tell it like a woman (formerly Together now)

"Tell it like a woman" is a live action and animation, all-female project produced by ILBE: this film consists of 7 shorts lasting 15 minutes each whose main theme is a story based on animation scenes that represent a significant part of the project. The film, directed by 8 female directors from different parts of the world, encompass different genres, ranging from drama to comedy to docudrama and animation, and starring actresses of international fame.

In 2021, the project entailed the recognition of revenues related to the production and delivery to the customer of the last segments of the film, "A week of my life" "Elbows Deep" and "Pepcy & Kim", for a total of € 2,573 thousand (including the pertinent government grants).

"Elbows Deep" was filmed in January 2021 in Los Angeles, is directed by Catherine Hardwicke and stars Cara Delevingne and Oscar-winning actress Marcia Gay Harden. "Pepcy & Kim" was filmed in the US and is directed by Taraji P. Henson and stars Jennifer Hudson. "A week of my life" was filmed in Japan, directed by Mipo O and stars Ann Watanabe.

Productions in progress

Eddie & Sunny

Last year, an agreement was signed with Paradox Studios LLC for the sale of the worldwide distribution rights for the film Eddie & Sunny.

Eddie & Sunny is a film by the English director and screenwriter Desmond Devenish, based on the novel by Stacey Cochran, published in the USA with critical acclaim. The story is about an impulsive homeless couple who, to defend their teenage son, murders an affiliate of a drug cartel and is forced into hiding to escape their vengeance.

The agreement provides for guaranteed minimum revenues of \$4.6 million for ILBE, in addition to a share in the worldwide revenues of the film. Italy's use rights, however, remain the property of ILBE.

The film directed by Desmond Devenish and starring US actor Gabriel Luna (known for his role in Terminator: Dark Fate).

Shooting took place in and around Rome and then continued in Guatemala. The delivery of the film (3D part) is expected in the second half of 2021.

State of Consciousness

"State of Consciousness" is a film directed by Marcus Stokes, telling the story of Stephen (Emile Hirsch, known for his role in *Into the Wild*), an ordinary young man who has to manage a mental short circuit that detaches him from reality, finding himself forced to take drugs for a psychological disorder that he does not actually have. To regain his sanity and resume his normal life, his only chance will be to escape from the diabolical plans of Dr. Laura Fielder.

"State of Consciousness", like every film covered by the agreement with Paradox, is considered an Italian film and is therefore subject to the regulations on government grants and the rules on European quotas.

The agreement provides for revenues of at least \$4.8 million for ILBE, in addition to a share in the worldwide proceeds of the film. Italy's use rights, however, remain the property of ILBE.

The delivery of the film is expected in the second half of 2021.

Dakota

Dakota is a film directed by Kirk Harris and written by Johnny Harrington.

SYNOPSIS: When marine Clet Sanders tragically dies in Afghanistan, sergeant TJ Malcom keeps his promise to bring home Dakota, Clet's best friend and fighting dog. Clet's wife, Kate, is fighting to maintain ownership of the family farm, while the local sheriff knows that Kate's land is valuable and will stop at nothing to seize it. With the help of TJ, her daughter, her father and her new friend Dakota, Kate will discover the true value of the family farm and friendship.

Casting Abbie Cornish ("Three Billboards Outside Ebbing, Missouri", "Limitless", "Bright Star", "Geostorm"); Lola Sultan ("Yes Day"", "Bernie the Dolphin"); William Baldwin ("Backdraft", "Sliver"); Patrick Muldoon ("The Comeback Trail", "Starship Troopers") and Tim Rozon ("Instant Star", "Schitt's Creek", "Winona Earp").

The film was shot between Italy (province of Bari) and Los Angeles, and will be qualified as an Italian film, thus benefiting from the legislation on "Tax Credit" and the rules on European quotas for exports to Chinese territory.

The film was produced by ILBE, which signed two agreements with Universal Pictures and WWPS.TV Corp, respectively, for the sale of the film's distribution rights.

On the basis of these agreements, ILBE acquires the film production rights from WWPS, while the worldwide distribution rights were transferred to Universal, with the exception of Italy and other regions (Canada, the United States and the airlines at global level), the distribution rights of which will be held by WWPS.

The agreements with Universal and WWPS envisage guaranteed minimum revenues for ILBE for a total of \$6,250,000. As at 30 June 2021, costs totalling € 4,091 thousand were capitalised.

IP and distribution rights

The IP and distribution rights item, where the capitalisation of the costs incurred for the acquisition of the distribution rights of the films in Italy and abroad and of the rights relating to Intellectual Properties, increased by € 5,016 thousand mainly due to the acquisition of the

worldwide rights of the film The Good Witch of Christmas and Christmas Thieves.

Service activities including licenses for the use of Intellectual Properties

The assets in question totaling € 32,830 million, including the animated series Puffins impossible and the films "Spin me round", "Vote for Santa" and "The Christmas Witch", include also the sales of licenses for the use of Intellectual Properties relating to licenses of the rights to use the animation production process (pipeline). In particular, there are 34 projects in total relating to works with a "family" subject, which have been, or will be, carried out by a number of national and European producers.

Post-production activities

The film post-production and the service for the streaming platforms for the video on demand are the reference activities of Arte Video S.r.l., a company recognised as "Official Encoding House" by the most important brands in the sector, such as Apple iTunes (Apple iTunes Preferred, one of 7 companies in the world), GooglePlay, Sony Entertainment, Amazon Prime Video, Disney+, Microsoft and Rakuten. In addition to developing and implementing projects in the film and video production and post-production sector, it performs services for the creation of printing matrices for DVD and Blu-ray, both in High Definition and Ultra High Definition with exclusive technology in Italy (and a few others in the world, such as Disney) for Java programming; it has systems for the creation of the DCP (Digital Cinema Package) film projection matrices, the creation of KDMs (DCP matrix de-encryption keys) for cinemas and, finally, creates 2D and 3D animations.

2020 was a year of change in the on-demand platform sector. The already consolidated experience as "Authorized Encoding House" meant that the company was chosen for the creation of the new services for the public for the Apple and Amazon Video TV channels. In fact, Arte Video S.r.l. created and still manages the Minerva Channel for Apple and different channels for the Amazon Prime Video platform such as Zelig, I-Wonder-Full, Cecchi Gori Entertainment and developed the Juventus Channel and Mediaset Infinity Channel. Arte Video S.r.l. is the only Italian company certified by Apple for the creation of the TV channels packages.

The constantly developing video streaming sector is characterised by aggregators that rely on Arte Video for the management of film packages, including WarnerBros, RaiCom, Minerva, Koch Media, CG ENT, Sweet Chili Ent, Under The Milkyway, Pathè, which have chosen the company for the quality of the checks carried out on the video/film masters before they are placed on the market and the technologies applied to obtain finished products. The DVD and Blu-ray sector sees the company supporting several Italian distributors. The film Parasite, winner of 4 Academy Awards, was made entirely in the company's studios and was produced for DVD, Blu-ray HD Java and Blu-ray UHD Java.

In addition, the company has developed activities in the film post-production sector for graphic animation for the cartoon series such as Puffins and Arctic Friends (which have been in Apple TOP 10 for several months). The 2D -> 3D coding process for the various mobile devices on the market envisages 3D creations in various formats (Anaglyphic Red/Cyan, Anaglyphic Green/Magenta, SideBySide and Top/Bottom) for dozens of devices per single episode or film; coding carried out internally with an exclusive license for the Italian territory.

In addition to 3D animation, which will see further developments with new formats for the next three years, the company has completed/is working in the Post Production of several films (both for the parent company and for other end customers such as, for example, Minerva and

Fenix Entertainment Spa), such as Christmas Thieves, Eddie & Sunny, State of Consciousness, The Christmas Witch, Vote for Santa, Dakota and a few weeks ago the film Muti with Morgan Freeman.

With the launch of these service activities, the company increased also the workforce in the various locations, reaching about thirty people hired permanently and on a project basis.

With the entry into the ILBE group, in addition to the historic headquarters in Palmanova (UD), the operational headquarters in Rome at Via Tiburtina 521 were opened at the "STUDIOS", and in March 2021 the headquarters in Pasadena California (Hollywood area) of the subsidiary Arte Video LLC, allowing it to access the US market with its services.

Casting, celebrity management and digital ADV content production

Casting, celebrity management and digital ADV content production are carried out by the subsidiary R.E.D. Carpet S.r.l. (hereinafter also Red Carpet).

In the first half of 2021, Red Carpet confirmed the positive trend achieved in the second half of 2020, despite the pandemic. In fact, during these months, the Company maintained and increased its past customers, acquiring new ones and opening up new scenarios with the latter. The main objectives achieved are as follows:

- ✓ individual projects carried out: approximately 50
- ✓ total customers managed: approximately 35
- ✓ total new customers acquired: 20
- ✓ total talent contracted: approximately 70
- ✓ total turnover: € 2,442 thousand.

The Company consolidated its partnerships with its long-standing customers of the media and broadcast centres (e.g. Mediacom, Mindshare, Fascino, Rai) by collaborating in valuable activities for customers such as Ferrero, Bolton (digital/social activities) and started new partnerships with Disney+, Amazon Prime Video, Mc Donald's and the Sicily Region. The following are the most important activities in the first half of 2021:

- ✓ Disney+ relied on Red Carpet to identify a Testimonial for the launch of the new STAR section within the Platform; for this important television commercial we identified and hired Andrea Pirlo as the perfect Ambassador and ideal face to work alongside the actor Stefano Fresi. The commercial was produced by Groenlandia Film, directed by Sidney Sibilia. At the launch of Star, A. Pirlo shared also original content on its official social accounts.
- ✓ Rai Pubblicità with which Red collaborated in the Brand Integration project "The Unbreakable", hiring the international star James Blunt to participate in an event at the lighting of the Olympic torch at the Tokyo Olympics. The British singer-songwriter accompanies an unprecedented and exciting monologue of five Olympic champions participating in the cross-media project "The Unbreakable", developed from an original format of The&Partnership: Bebe Vio, Arianna Fontana, Clemente Russo, Vanessa Ferrari, Francesca Piccinini, ordinary people who have faced and overcome physical or emotional challenges with courage, and have dealt with failure or adversity by becoming stronger than before.
- ✓ Filming of the See Sicily commercial for the Sicilian Region aimed at promoting tourism during the 2021 summer season: the collaboration was confirmed through the subsequent

engagement for the development of a second commercial dedicated to the Bellini Festival. In particular, Red Carpet collaborated with Itaca Comunicazione for the selection of talents for the new national and international ADV campaign of the Region. Red Carpet has identified four Sicilian personalities as testimonials for the promotional videos of the Region: Eleonora Abbagnato, Colapesce and Dimartino, Nicole Grimaudo and Carlotta Ferlito. The commercials were filmed in places highly representative of the Sicilian essence and made to relaunch tourism in the island after the health emergency. The cross-media campaign, on air starting from 6 June, broadcast on the main Italian television networks (RAI, Mediaset, Sky, Discovery, TV2000 and LA7), out-of-home advertising in many cities of the country and tabular advertising in national and international newspapers.

- ✓ Sport e Salute entrusted the Company with the communication, the "brand identity" and the special activities related to the launch of the Street Skate Boarding World Championships, held in Rome in May 2021. This involved creating content for social channels, activating media partnerships and involving influencers and personalities from the entertainment.
- ✓ Through the collaboration with Lebonski Management (Company that holds the image and music rights of Salmo), the creation of our first musical documentary during the Water World Music Festival, a music event organised by LBNSK360, record label of the rapper Salmo, which was held on Sunday 25 July 2021 off the coast of Marina di Cala dei Sardi, a bay of the Costa Smeralda located in the Gulf of Cugnana (Olbia, Sardinia). The rights to the documentary were sold to Amazon Prime Video Italia. One of the activities carried out was finding sponsors for the event including 2 of our new customers as Title Sponsors - Mini and main sponsor - GLO Italia. A real Boat Party: a floating stage set up in the middle of the sea, to host the performances of various Italian artists of the moment, including the host Salmo. The public attended the concert on board about 200 boats that were positioned around the stage, forming a real arena on the sea.
- ✓ Red Carpet confirmed also its partnership with Ferrero in 2021, developing various social activities during these months for the different brands of the group, in different moments of communication: Kinder Cioccolato, Kinder Pentolaccia, Kinder Applaydu, Nutella Day, Nutella Biscuits. La Pina, Rudy Zerbi, Daniela Collu, Federico Russo, Juliana Moreira, Alessia Mancini and Guglielmo Scilla are just some of the Talents who have embraced the philosophy of the Ferrero Group.
- ✓ The Company has identified Willwoosh (Guglielmo Scilla) to perfectly embody the #iovivoOriginal campaign, conceived by the customer Borotalco. The activity was developed on the official social media profiles of the brand and Talent, which involved the fanbase in a survey and a competition using the Twitch platform.
- ✓ Digital and ADV activities saw a significant increase, acquiring new customers such as McDonald's, Dixan, ACE Candeggina, Tempo and Dyson. In particular:
 - Mc Donald's: Red Carpet consolidated its collaboration with McD through various projects: first of all through the involvement of Frank Matano for the campaign dedicated to the McDrive service; subsequently through creating and implementing the Mc Chicken Challenge project, involving Frank Matano, Guglielmo Scilla, Tess Masazza and Valeria Angione; finally, an event entirely dedicated to the McChicken Variation activity in collaboration with Giallo Zafferano, where we involved the talented Guglielmo Scilla to acted as speaker.
 - Dixan: Red Carpet identified Laura Chiatti as the new 2021 campaign testimonial, supporting the brand in the management, contracting and logistics of the TV commercial.
 - ACE Candeggina: Red Carpet for the communication campaign identified three talent couples: Marco Fantini/Beatrice Valli, Edoardo Stoppa/Juliana Moreira and Andrea Dianetti/Adriano Bettinelli. The creativity "The Switch" was developed on a very entertaining concept: in fact, the couples challenged each other on some household chores, including doing laundry with Ace Gentile.

- Tempo: Red Carpet scouted for the communication campaign of the Tempo brand "Boys do cry", with the choice of Julia Elle as talent. The goal of the campaign was to debunk the concept that people should, mistakenly, keep everything inside... avoiding to cry. The content was shared on the profile www.instagram.com/disperatamenteamma.
- Dyson: Red Carpet won the trust of the British brand, obtaining several engagements during the year. We supported the brand in celebrity endorsement activities to promote different products related to the "Personal Care" and "Floor Care" areas. Products were promoted by very famous actors such as: Vanessa Ferrari, Carolina Crescentini, Luca Argentero, Greta Ferro, Matteo Curti, Cristina Marino, Willwoosh and Eva Riccobono.

Internationalisation: development of activities in the Republic of Serbia

The Group operates in Serbia through the wholly-owned subsidiary lervolino Studios d.o.o. with operating offices in Belgrade and Novi Sad, with approximately 80 employees and about 30 external collaborators as at 30 June 2021, with these figures destined to increase consequently to the expected growth in production for both animated episodes and films with a combination of animated parts.

The main contract of the Company is an executive production (service) on behalf of the producer Archangel Digital Studios, the Serbian company of the Serbian actor and producer Milos Bikovic (very popular in the former Yugoslavia and Russia, often awarded at national festivals), for the production of animated content.

These existing agreements provide for Archangel Digital Studios to obtain the right to use the copyrights of the animated characters of the "Puffins" series ("Intellectual Properties of animated characters") and to the process for the production ("Pipeline") of the animated web series by ILBE. The Group, for its part, will invest in the project and, through the Serbian subsidiary lervolino Studios, will provide the executive production(service) of the new episodes of the series called "Puffins: impossible".

The contracts in place relate to the first 36 episodes. However, in relation to those to be signed as part of the framework agreement, the pre-production activity of 54 episodes was completed and the activities of a further 54 episodes began.

In the first half of 2021, the production of service activities amounted to approximately € 6,583 thousand.

5. Backlog and projects under development

Backlog

At the date of approval of these condensed half-year consolidated financial statements as at 30 June 2021, the contractual production portfolio (guaranteed minimum revenues still to be produced), totalling € 44.2 million, is broken down as follows:

Last episodes of Puffins expected to be delivered by 31 December 2021 for approximately € 23.2 million; residual 3D production of the film Eddie & Sunny for approximately € 1.3 million expected to be delivered in the second half of 2021; residual production of the film Dakota expected to be delivered between the end of the year and the first half of 2022; production of the film Muti for around € 12 million to be developed in the second half of 2021 and the first half of 2022. The film,

which began shooting in August, stars Academy Award winner Morgan Freeman and is directed by George Gallo, Francesco Cinquemani and Luca Giliberto. Filming, which began in Mississippi (USA), will subsequently continue in Italy. ILBE signed agreements with RedBox Entertainment for distribution in the US and Canada and with WWPS for worldwide distribution (excluding Italy, US and Canada). The production will bring guaranteed minimum revenues for ILBE for the activities carried out both in the USA and in Italy, for a total of approximately € 12.1 million. Synopsis of the film: *Unable to process the mourning for the death of his daughter, Detective Lukas, a few days after retirement, starts a dramatic hunt for a mysterious serial killer who kills according to a brutal tribal ritual: Muti. The only one who can help Lukas is Professor Mackles, an anthropologist of African origin who hides an unspeakable secret.* The film, shot between Italy and the United States, will be qualified as an Italian film, thus benefiting from the legislation on "Tax Credit" and the rules on European quotas.

Projects under development

The projects under development relate to the following future activities that the Group will reasonably develop in the next three years '22 - '24 and amount to a rough estimate of assets of € 349 million. The three-year business plan, which will be prepared and approved by the Board of Directors, will take into account both these updated estimates and the reasonable forecasts of additional revenues expected from development activities not yet broken down into individual projects.

In particular, the activities of the projects under development are as follows:

Production activities

The activities that see the ILBE Group as producer in the next three years are, to date, estimated at € 150.5 million, broken down as follows:

- ✓ The production of new web series relating to animated characters in the portfolio starting from 2022 for approximately € 105 million to be developed over the next three years.
- ✓ Audiovisual projects under development in which the Group decided to invest starting from the current year. To date, around 16 projects are under development for a maximum estimate of € 26.6 million to be developed over the next three years.
- ✓ Feature film projects. To date, around 7 projects are under development for a maximum estimate of € 18.7 million to be developed over the next three years.
- ✓ "Unscripted" projects. To date, approximately 3 projects are under development for a maximum estimate of € 0.250 million to be developed over the next three years.

Service activities (executive production) and licensing

The activities that see the ILBE Group as a service provider, including the IP licensor, to a third-party producer are currently estimated at € 198.7 million for the next three years, broken down as follows:

- ✓ The production of new "Puffins: impossible" episodes in the studios in Serbia on behalf of a local producer and intended for international distribution for a maximum estimate of € 78.7 million to be developed over the next three years.

- ✓ IP service and licensing projects for national and international customers for a maximum estimate of € 120 million to be developed over the next three years.

Digital delivery activities, celebrities management and digital ADV

The activities of these two CGUs developed by the subsidiaries Red Carpet and Arte Video, based mainly on revenues and recurring contracts, are expected to grow sharply and activities with third parties for around € 15 million for the three-year period '22 - '24 are reasonably expected.

6. Key figures and alternative performance indicators (APIs)

The key figures described in this Report on Operations refer to the half-year consolidated financial report of the ILBE Group as at 30 June 2021, drafted according to the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union.

Therefore the report must be read in conjunction with the Schedules of the half-year consolidated financial report and the corresponding explanatory notes as at 30 June 2021.

In addition, in order to facilitate the understanding of the economic and financial performance of the Group, some alternative performance indicators have been included ("Alternative Performance Indicators" or API) to show the operating performance achieved.

For a correct interpretation of these APIs, the following should be noted:

- ✓ these indicators are based exclusively on historical data of the Group and are not indicative of its future performance;
- ✓ the APIs are not envisaged by IFRS and, although they are derived from the Group's consolidated financial statements, are not audited;
- ✓ the APIs should not be considered as a substitute for the indicators required by the reference accounting standards (IFRS);
- ✓ these APIs should be read alongside the financial information of the Group obtained from the Group comparative consolidated financial statements;
- ✓ as the indicators used by the Group do not derive from IFRS, their definition may not be the same as the one adopted by other groups and therefore may not be comparable with them;
- ✓ the APIs used by the Group are calculated with continuity and uniformity of definition and representation for the financial periods considered. Since amortisation of audiovisual works accounts for most of the Group's cost of sales, EBIT (gross of non-recurring charges) represents the indicator of operating income.

The economic performance of the consolidated operations for the period is described below:

€/000	30/06/2021	30/06/2020	Change	% change
Revenues	114.170	55.488	58.682	>100%
Operating costs	4.406	1.562	2.844	>100%
Personnel expenses	1.767	309	1.458	>100%
Amortisation/depreciation, write-downs and provisions	92.094	41.436	51.557	>100%
EBIT	15.903	12.182	3.722	31%
% EBIT margin	14%	22%	n.a.	-8%
Non-recurring charges (recognised as amortisation/depreciation)	899	181	719	>100%
EBIT net of non-recurring charges	15.004	12.001	3.003	25%
Net financial expenses	1.905	401	1.504	>100%
Pre-tax profit	13.100	11.600	1.499	13%
Taxes	(750)	(2.011)	1.260	-63%
Net profit for the period	12.349	9.589	2.760	29%

The Group reclassified statement of financial position is provided below:

€/000	30/06/2021	31/12/2020
Assets		
Non-current assets		
Intangible assets	75.081	68.057
Trademark	359	359
Goodwill	75	75
Tangible assets	235	214
Deferred tax assets	6.710	6.289
Equity investments recognised at equity	18	18
Other non-current assets	2.324	2.334
Total non-current assets	84.802	77.345
Current assets		
Trade receivables	34.482	16.787
Tax credits	24.113	21.721
Current financial assets (investment funds)	4.419	4.348
Other current assets	8.025	6.367
Cash and cash equivalents	2.347	3.513
Total current assets	73.387	52.736
Total assets	158.188	130.082
Shareholders' equity	79.425	67.041
Non-current liabilities		
Employee benefits	178	181
Deferred tax liabilities	114	117
Provisions for risks and charges	300	300
Non-current financial liabilities	18.854	18.108
Total non-current liabilities	19.446	18.706
Current liabilities		
Current financial liabilities	5.245	5.379
Trade payables	40.475	25.289
Tax payables	2.316	1.625
Contractual liabilities	4.372	2.980
Other current liabilities	6.909	9.062
Total current liabilities	59.318	44.335
Total liabilities	158.188	130.082

The main Group equity and financial indicators are provided below:

Main equity and financial indicators - €/000	30/06/2021	31/12/2020
Intangible assets (including Trademarks and Goodwill)	75.515	68.491
Tangible assets	235	214
Other non-current assets	9.052	8.641
Fixed assets	84.802	77.345
Receivables from customers	34.482	16.787
Payables to suppliers	(40.475)	(25.289)
Other current assets/(liabilities)	18.540	14.421
NWC	12.547	5.919
EMPLOYEE SEVERANCE INDEMNITY	(179)	(181)
Other non-current liabilities	(413)	(417)
NIC	96.757	82.667
Shareholders' equity	79.425	67.041
Cash and cash equivalents	(2.347)	(3.513)
Financial assets (investment funds)	(4.419)	(4.348)
Financial liabilities	24.099	23.487
NFP	17.333	15.626
Sources of funds	96.757	82.667

The main indicators of the Group cash flow statement are provided below:

€/000	30/06/2021	30/06/2020
A - Net flow generated/(used) from operating activities	71.740	16.785
B - Net flow generated/(used) from investment activities	(73.341)	(21.208)
C - Net flow generated/(used) from financing activities	435	(1.623)
D - Total cash flow generated/(used) in the period (A + B + C)	(1.166)	(6.047)
E - Cash and cash equivalents at the beginning of the period	3.513	8.225
F - Cash and cash equivalents at the end of the period (D + E)	2.347	2.179

A breakdown of the Group NFP is provided below:

Net financial position - €/000	30/06/2021	31/12/2020
Cash and cash equivalents	(2.347)	(3.513)
Liquidity	(2.347)	(3.513)
Financial assets (investment funds)	(4.419)	(4.348)
Bank payables	24.099	23.487
Net financial indebtedness	19.680	19.139
Debit NFP	17.333	15.626

Management performance and economic and financial results

The first half of 2021 closed with a Group net profit of € 12,349 thousand, an increase of 29% compared to € 9,589 thousand of the same period in 2020.

From an operational standpoint, the EBIT of the Group before non-recurring charges was equal to € 15,903 thousand, up by 31% compared to € 12,181 thousand of the same period in 2020.

The result derives mainly from revenues from the sale of the rights of the film and audiovisual works and "government grant" minus the related sales cost, essentially consisting of the amortisation of intangible assets (film and audiovisual works) equal to € 92,993 thousand (€ 41,617 thousand in the first half of the 2020 financial year), given the low incidence of overhead costs, equal to € 3,623 thousand (€ 1,870 thousand in the first half of the 2020 financial year).

From a management perspective, EBIT for the first half of 2021 represents 14% (22% in the first half of 2020) of total revenues, equal to € 114,170 thousand (€ 55,488 thousand in the first half of 2020).

Operating revenues and income, including government grants recognised on an accrual basis with regard to the productions to which they refer, mainly relate to the productions Arctic Friends (€ 49,041 thousand), Puffins (€ 26,540 thousand), and Tell it like a woman (€ 2,573 thousand).

Revenues from licenses to use the pipeline (processes and processing methods for the production of animated content) and the license to use animated characters amounted to a total of € 25,797 thousand (completely new item in the year)

Audiovisual productions (web series) represent 66% (94% in the first half of 2020) of revenues, IP and service licenses for 29% (not present in the first half of 2020) and film productions for 2% (3% in the first half of 2020). Other revenues are marginal.

From a financial point of view, the net invested capital of the ILBE Group consists mainly of intangible assets (films, intellectual properties and other rights) for € 75,515 thousand; other fixed assets were equal to € 9,287 thousand while the net working capital was positive and equal to € 12,547 thousand. Other non-current liabilities amounted to € 592 thousand.

The resulting net invested capital was equal to € 96,757 thousand, up by € 14,091 thousand with respect to the balance as at 31 December 2020 of € 82,667 thousand and is financed by the negative net financial position of € 17,333 thousand (€ 15,626 thousand as at 31 December 2020) and shareholders' equity of € 79,425 thousand (€ 67,041 thousand as at 31 December 2020).

The Group's net working capital was positive for € 12,547 thousand, up compared to the positive balance as at 31 December 2020 of € 5,919 thousand.

Working capital includes mainly government grants for film productions, the monetisation of which, through the use to offset other taxes or assignment to authorised intermediaries, take place starting from the following year.

From a financial point of view, cash and cash equivalents as at 30 June 2021 were equal to € 2,347 thousand, down by € 1,166 thousand compared to the balance at the beginning of the period (€ 3,513 thousand).

Adding the net difference between financial assets and liabilities to the balance of cash and cash equivalents, the net financial position as at 30 June 2021 shows a negative balance of € 17,333 thousand, up by € 1,707 thousand compared to the balance as at 31 December 2020.

The main investment and financial trends for the year underlying these balances are as follows:

The change in cash and cash equivalents, equal to € 1,166 thousand, is the result of funds generated by financing activities (€ 599 thousand) and those absorbed by investment activities in audiovisual works (mainly Arctic Friends, Puffins, Puffins impossible, Dakota, Eddy & Sunny and State of Consciousness) and in the preliminary activities towards future new productions (€ 73,341 thousand), which exceed the funds generated by operating activities (€ 71,576 thousand).

The following main financial and investment transactions were carried out during the year:

- ✓ two medium-term loans of € 3 million each taken out with Banca IFIS and Unicredit, backed by a SACE guarantee to support the existing film productions;
- ✓ The collection of tax credits for € 995 thousand and the transfer of tax credits to Intesa SanPaolo for a total of € 4,973 for partial repayment of medium-term loans.

7. Transactions with related parties

The transactions of the Group with related parties are described below:

€/000	Trade receivables €/000	Other assets €/000	Trade payables €/000	Other liabilities €/000	Revenues €/000	Costs €/000
TATATU S.p.A.	-	1.721	-	-	-	-
Total transactions with related parti	-	1.721	-	-	-	-
Total balance sheet items	34.482	123.706	40.475	38.287	114.170	99.166
Weight on balance sheet items	0%	1%	0%	0%	0%	0%

No related-party transactions were carried out during the period. The balance of receivables from Tatatu S.p.A. concerns a receivable due in 2023 for the consideration paid for the closure of the ADV business unit (€ 1,089 thousand) and a trade receivable (€ 641 thousand).

8. Human resources

The ILBE Group has approximately 120 permanent employees plus some independent contractors. In addition, some professional service providers have an ongoing relationship with the ILBE Group and in some cases have specific responsibilities for the purposes of Italian Law 231/2001.

However, It should be noted that when the production of an audiovisual work begins, a considerable number of temporary workers are hired until its conclusion. During the six months, 328 temporary employees were hired for the ongoing productions.

9. Research and development

Research and development for the year were activities of maintenance nature on the release

of the IP 0.2.1 pipeline, in particular on the following aspects of the hardware and software of the production process:

Software:

Teradici & Nomachine: software applications that allow users to remotely access their workstation. Each user is assigned unique access credentials to access the workstation. Teradici was distributed mainly for FX, SHF, Lighting and Compositing activities, while Nomachine was distributed for the other activities: Asset Development, Layout, Animation, Rendering and Production Support Supervision.

Ase-Sync: is the instrument for the synchronisation of data between all users, thus allowing them to work on their workstations remotely. This instrument synchronises project data securely between our internal memory and the user's workstation. This instrument optimises the organisational process.

WFH (Work From Home) Asset and Shot Publish: a publishing instrument for users of the Asset and Animation department who work in smart-working mode to publish data in the pipeline from their home workstation.

ASE Player: a proprietary multimedia player (ASE Player) that connects directly to ATOM. This multimedia player allows different departments to review content directly within the pipeline and propagates the notes directly to the interested and relevant parties without leaving the ATOM environment.

Hardware and network:

Firewall: the firewall supports over 350 network users for remote and secure access to workstations.

Bandwidth: the width is 500 Mbps for easier connectivity among all.

Isilon archive: the Isilon archive server provides 400 TB of data.

10. Information on the main risks and uncertainties

Financial risk management and management of the change in cash flows

Liquidity risk

The current operational management of the ILBE Group has generated cash flows intended for its needs and used by the current management for the regular payment of suppliers. Additional financial resources for investments are obtained either through financial or capital transactions. Having put in place an effective economic and financial planning system, IE monitors constantly management flows in order to finance working capital and monitor the monetisation of the EBIT that takes place starting a few months after the delivery of the audiovisual work and appropriately financed and guaranteed by the banking system.

Foreign exchange risk

The ILBE Group has a limited exposure to the financial risks associated with fluctuations in exchange rates, with reference to operations carried out with countries that are not part of the Eurozone. It should also be noted that almost all the receivables and payables are in the same foreign currency (US dollar).

The Group has not entered any exchange rate hedging transactions as the risk is significantly reduced by offsetting the costs incurred in the same currency as the revenues.

Interest rate risk

The Group has no derivative contracts in place to hedge the risks associated with fluctuations in interest rates since this risk exposure is marginal.

Market risk, credit risk and price risk

Risks related to the competitive and cyclical nature of the sector

One element that increasingly characterises the entertainment market is the growing importance of the content offered, which increasingly differs according to the transmission channels.

The Group is constantly looking for new formats and content to be created independently or through service agreements while retaining the ownership of the Intellectual Property in question. Furthermore, the productions are always financed on the basis of the so-called "guaranteed minimum" with relationships with international distributors and always responding to the demands of the general public, which can offer additional business opportunities in the merchandising channel.

Credit risk

The Group does not have a significant concentration of credit risk, and has appropriate procedures, such as verifying the solvency of debtors through the analysis of their reliability on the market, to minimise credit risk

11. Significant events after the end of the period

Issue of a bond loan for € 10,000,000

On 27 July 2021, the parent company ILBE completed successfully the issue of a bond loan for a total principal amount of € 10,000,000 with maturity in 2028. The resources collected will be used by the Group for the production of film and audiovisual works.

The issue of the bond loan is part of the "Basket Bond di Filiera" transaction, the € 200 million programme promoted by Cassa Depositi e Prestiti and UniCredit with the aim of financing development plans of companies belonging to the strategic chains of the Italian economy, in Italy and abroad.

Specifically, the bond issued by ILBE is dedicated to companies operating in the culture sector.

The bond loan has a duration of 7 years and half-yearly instalments, it will be of the "amortising" type with a pre-amortisation period of 12 months. The bonds will bear interest at the nominal gross annual fixed rate of 2.55% to be paid, with reference to the first coupon, in advance about the fifteenth day after the issue date and, with reference to subsequent coupons, in arrears every six months.

12. Business outlook

The business will continue to grow following the guidelines of the business plan, which envisage a change in the focus of business priorities, balancing investments with activities with greater cash generation capacity, such as services (executive production) and character and pipeline licensing. The related effects has already started to be recognised in the first half of the year.

This new focus entails, in particular for the Intellectual Properties of the web series, a greater use through the service activities and the character and pipeline licensing both in Italy and abroad. Therefore, these activities will generate the majority of revenues after the guaranteed minimum of the distribution activities. The following should be included in this context: (i) the activities of lervolino Studios d.o.o. (Serbia) for the production of episodes related to the "Puffins: Impossible" web series, for which the production of new several episodes is planned for the commissioning producer, in line with the development plan; (ii) the licensing of characters and pipelines and processing methods for animated production.

With reference to new films, we recall the aforementioned new film Muti, whose filming will continue in Italy in the coming months.

Lastly, as regards the investees R.E.D. Carpet, Arte Video and lervolino Studios, the related activities in the respective operating segments envisaged by IFRS 8 are expected to grow significantly.

In light of the above, the expected growth of revenues and capitalised works is confirmed in 2021. The new activities will be financed with dedicated and therefore self-liquidating loans. Revenues are expected to grow. Likewise, as expected and achieved in the first half of the year, a more limited trend in margins is predicted compared to previous years.

Rome, 22 September 2021

For the Board of Directors

The Chairman
Andrea lervolino



Condensed Half-Year Consolidated Financial Statements and Explanatory Notes

30 June 2021

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Half-year consolidated statement of financial position as at 30 June 2021

€/000	Notes	30-giu-21	of which related parties	31-dic-20	of which related parties
Assets					
Non-current assets					
Intangible assets	Note 4	75.081	-	68.057	-
Finished productions		42.325	-	40.725	-
Productions in progress		7.852	-	5.401	-
IP and distribution rights		24.792	-	21.806	-
Other intangible assets		111	-	124	-
Trademark	Note 5	359	-	359	-
Goodwill	Note 5	75	-	75	-
Tangible assets		235	-	214	-
Deferred tax assets	Note 6	6.710	-	6.289	-
Equity investments recognised at equity	Note 7	18	-	18	-
Other non-current assets	Note 8	2.324	1.721	2.334	1.731
Total non-current assets		84.802	1.721	77.345	1.731
Current assets					
Trade receivables	Note 9	34.482	-	16.787	-
Tax credits	Note 10	24.113	-	21.721	-
Current financial assets	Note 11	4.419	-	4.348	-
Other current assets	Note 12	4.535	-	3.590	-
Assets deriving from contracts with customers	Note 13	3.490	-	2.777	-
Cash and cash equivalents	Note 14	2.347	-	3.513	-
Total current assets		73.386		52.736	
Total assets		158.188		130.082	
Shareholders' equity					
Share capital	Note 15	1.401	-	1.401	-
Legal reserve	Note 15	497	-	497	-
Extraordinary reserve	Note 15	19.442	-	-	-
Other reserves	Note 15	16.493	-	16.464	-
Profits (losses) carried forward	Note 15	29.243	-	29.181	-
Profit (loss) for the year	Note 15	12.349	-	19.498	-
Equity attributable to shareholders of the parent company		79.425		67.041	
NCIs		-	-	-	-
Total shareholders' equity		79.425		67.041	
Non-current liabilities					
Employee benefits		178	-	181	-
Deferred tax liabilities		113	-	117	-
Provisions for risks and charges		300	-	300	-
Non-current financial liabilities	Note 16	18.854	-	18.108	-
Total non-current liabilities		19.445		18.706	
Current liabilities					
Current financial liabilities	Note 17	5.245	-	5.379	-
Trade payables	Note 18	40.475	-	25.289	-
Tax payables	Note 19	2.316	-	1.625	-
Contractual liabilities	Note 20	4.372	-	2.980	-
Other current liabilities	Note 21	6.909	-	9.062	-
Total current liabilities		59.318		44.335	
Total liabilities		158.188		130.082	

**Statement of consolidated comprehensive profit/(loss) for the half-year
as at 30 June 2021**

€/000	Notes	30-giu-21	of which related parties	30-giu-20	of which related parties
Revenues	Note 22	103.146	-	41.900	1.090
Other revenues and income	Note 23	125	-	8.616	-
Tax credits and other government grants	Note 24	10.899	-	4.973	-
Total operating revenues and income		114.170	-	55.488	1.090
Purchases of raw materials, supplies and goods		96	-	43	-
Costs for services	Note 25	3.890	-	1.247	-
Personnel expenses	Note 26	1.767	-	309	-
Other operating costs		419	-	272	-
Amortisation/depreciation, write-downs and provisions	Note 27	92.993	-	41.617	-
Operating profit		15.004	-	12.001	-
Financial income	Note 28	113	-	464	-
Financial expenses	Note 28	2.017	-	865	-
Pre-tax profit		13.100	-	11.600	1.090
Income taxes	Note 29	(750)	-	(2.011)	-
Profit for the period		12.349	-	9.589	-
Attributable to Group		12.349	-	9.589	-
Minority interests		-	-	-	-
Other components of the comprehensive income statement that may be subsequently reclassified in profit/(loss) for the year, net of taxes		-	-	-	-
Other components of the comprehensive income statement that may not be subsequently reclassified in profit/(loss) for the year, net of taxes		21	-	-	-
Remeasurement of net liabilities/assets) for employee benefits		21	-	-	-
Total comprehensive profit/(loss), net of taxes		12.370	-	9.589	-
Basic earnings per share (ordinary shares)	Note 30	0.51	-	0.43	-
Diluted earnings per share (ordinary shares)	Note 30	0.51	-	0.40	-

**Half-year consolidated statement of changes in shareholders' equity
as at 30 June 2021**

	Notes	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Other reserves	Translation reserve	Capital contributions	Profit/(loss) carried forward	Profit/(loss) for the year	Total	NCIs	Total shareholders' equity
€/000													
Balance as at 1 January 2021		1.401	487	-	16.481	(35)	8	-	29.181	19.488	67.041	-	67.041
Profit/(loss) for the year	Note 15	-	-	-	-	-	-	-	-	12.349	12.349	-	-
Allocation of 2020 operating result	Note 15	-	-	19.442	-	-	-	-	60	(19.498)	4	-	-
Increase in translation reserve	Note 15	-	-	-	-	-	9	-	-	-	9	-	-
Consolidation changes	Note 15	-	-	-	-	-	-	-	-	-	-	-	-
OCI change	Note 15	-	-	-	-	21	-	-	-	-	21	-	-
Balance as at 30 June 2021		1.401	487	19.442	16.491	(14)	17	-	29.242	12.348	79.425	-	79.425

as at 30 June 2020

	Notes	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Other reserves	Translation reserve	Capital contributions	Profit/(loss) carried forward	Profit/(loss) for the year	Total	NCIs	Total shareholders' equity
€/000													
Balance as at 1 January 2020		1.335	487	-	16.283			-	9.306	20.249	47.650	-	47.650
Profit/(loss) for the year		-	-	-	-			-	-	-	-	-	-
Allocation of 2019 operating result		-	-	-	-			-	-	(20.249)	-	-	-
Capital increase - "Arte Video" transaction	1	-	-	-	146			-	-	-	147	-	-
Balance as at 30 June 2020		1.336	487	-	16.408			-	9.306	(0)	47.797	-	47.797

**Half-year consolidated cash flow statement
as at 30 June 2021**

€/000	Notes	30-Jun-21	30-Jun-20
Pre-tax profit for the year		13.100	11.600
Income taxes	Note 29	(750)	(2.011)
Adjustments to reconcile pre-tax profit with net cash flows:			
Amortisation/depreciation on intangible and tangible assets	Note 27	92.993	41.617
Net exchange differences		-	166
Financial expenses		637	232
Allocations (Uses) of personnel-related provisions		18	20
Other non-monetary items		-	3
Cash flow generated from operating activities		105.998	51.627
Change in working capital:			
Change in trade receivables		(17.695)	(8.596)
Change in trade payables		(11.608)	(20.708)
Change in other receivables and other assets		(4.462)	1.941
<u>Change in other payables and other liabilities</u>		<u>1.762</u>	<u>(4.119)</u>
Interest paid		(345)	(91)
Income taxes paid		(1.909)	(3.271)
A - Net flow generated/(used) from operating activities		71.741	16.785
Investments in intangible and tangible assets		(73.271)	(21.055)
Investments in financial assets (equity investments)		-	(153)
<u>Investments in other financial assets</u>		<u>(70)</u>	<u>-</u>
B - Net flow generated/(used) from investment activities		(73.341)	(21.208)
Share capital increase / Share premium reserve		-	9.705
Mortgages and loans taken out during the period		6.047	(11.328)
<u>Mortgages and loans paid back during the period</u>		<u>(5.612)</u>	<u>-</u>
C - Net flow generated/(used) from financing activities		435	(1.623)
D - Total cash flow generated/(used) in the period (A + B + C)		(1.166)	(6.047)
E - Cash and cash equivalents at the beginning of the period		3.513	8.225
F - Cash and cash equivalents at the end of the period (D + E)		2.347	2.179

Note: according to IAS 7, the net cash flow generated/(absorbed) by investment activities includes only the investments paid, also through direct remittance from the customer to the supplier, in the period.

Explanatory notes to the condensed half-year consolidated financial statements

1. Corporate information

The publication of the condensed half-year consolidated financial statements of Iervolino & Lady Bacardi Entertainment S.p.A. (formerly Iervolino Entertainment S.p.A.) and its subsidiaries (the Group) for the period ended 30 June 2021 was authorised by the Board of Directors on 22 September 2021. The Consolidating Company, following the resolution of the shareholders' meeting of 23 June 2021, changed the company name from Iervolino Entertainment S.p.A. to "Iervolino & Lady Bacardi Entertainment S.p.A.".

The consolidating company, Iervolino & Lady Bacardi Entertainment S.p.A., is a joint stock company listed, registered and domiciled in Italy. The registered office is located in via Barberini 29, 00187 Rome.

The Group specialises in the production of film and television content including films, TV-shows, web series, short TV shows and much more. The contents produced by the Group are high-quality productions in the Hollywood style and involve the participation of internationally renowned actors. The Group's main objective is to produce for the international market, based on the business model used by the major film studios in Hollywood. The Group handles also authoring, encoding & digital delivery and celebrity management, casting and production of digital ADV content (Celebrity Management).

Information on Group relations with related parties is presented in Note 31.1.

2. Drafting principles and changes in the Group's accounting policies

2.1 Main changes in the scope of consolidation

The scope of consolidation as at 30 June 2021, compared to that as at 31 December 2020, underwent the following changes: (i) in March 2021, the subsidiary Arte Video S.r.l. established the company Arte Video LLC with registered office in the USA; as at 30 June 2021, the Group's interest in Arte Video LLC is 99%.

The entities included in the scope of consolidation as at 30 June 2021 and the related percentages of share capital held, directly or indirectly, by the Group are listed below:

Business Name	Registered Office Address	Ownership	Direct Ownership	Consolidation Method
Parent				
Iervolino & Lady Bacardi S.p.A.	29, Barberini street, 00187, Rome (Italy)	n.a.	n.a.	n.a.
Subsidiaries				
Arte Video S.r.l.	29, Barberini street, 00187, Rome (Italy)	100%	100%	Total
RED Carpet S.r.l.	69, Porto Fluviale street, 00154, Rome (Italy)	100%	100%	Total
Iexchange S.r.l.	29, Barberini street, 00187, Rome (Italy)	100%	100%	Total
Iervolino Studios d.o.o.	26/9, Svetosavka street, Pozarevac (Serbia)	100%	100%	Total
Arte Video LLC	1680 Knowlwood Drive - Pasadena, California 91103 (USA)	0,99	0	Total
Associated				
Furuna Crafts d.o.o.	Zelenznicka 4, Novi Sad	0,5	0	Equity

2.2 Drafting principles

The condensed half-year consolidated financial statements as at 30 June 2021 were prepared on the basis of IAS 34 Interim Financial Reporting. The Group has prepared the condensed half-year consolidated financial statements on the basis of the going concern assumption. The directors consider that there are no significant uncertainties that could give rise to doubts on this assumption. They have assessed that there is a reasonable expectation that the Group will have adequate resources to continue its operations for the immediate future, not less than 12 months from the reporting date.

The condensed half-year consolidated financial statements do not disclose all the information required in preparing the annual consolidated financial statements. For this reason, it is necessary to read these condensed half-year consolidated financial statements together with the consolidated financial statements as at 31 December 2020.

Current income taxes are calculated on the basis of taxable income at the end of the period. Current income tax payables and receivables are recognised at the value that is expected to be paid/recovered to/from the tax authorities by applying the tax regulations in force or substantially approved at the end of the period and the estimated rates on an annual basis.

These financial statements do not provide IAS 34.21 disclosure relating to seasonality as the turnover and operating results of the Group and the sectors in which it operates are not affected by seasonality.

2.3 Discretionary assessments and significant accounting estimates

With reference to the discretionary assessment and significant accounting estimates made by the Company Management, reference is made to the contents of the 2020 Annual Financial Report.

2.3 Management of financial risks

Liquidity risk

Liquidity risk is related to the inability to obtain funds to settle payment obligations.

It may derive from the insufficiency of the resources available to meet the financial obligations within the pre-set terms and due dates in the event of sudden revocation of the uncommitted credit lines or from the possibility that the company be required to meet its financial liabilities before their natural maturity.

The Group, through a careful and prudent financial policy, which is reflected in the policy adopted, and the constant monitoring of both the ratio between credit facilities granted and used and between short-term and medium/long-term debt, has acquired credit lines of adequate quality and quantity.

In recent years, the Group's activity has been characterised by rapid development, high growth and the acquisition of new intellectual property. In this context of growth, characterised by a high use of

liquidity, the Group made use of bank debt by entering loans and a basket bond, whose time profile of the related repayment plans is illustrated in the following table:

Issuing institution	Type of loan	Interest rate	Amount disbursed	Origination year	Expiry year	Within 1 year	Between 1 and 5 years	Over 5 years
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	99	223	-
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	99	232	-
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2023	125	199	-
Intesa San Paolo S.p.A.	Loan	3M Euribor + 2,5% spread	4.100	2020	2023	-	2.684	-
Intesa San Paolo S.p.A.	Loan	3M Euribor + 2,8% spread	5.500	2020	2025	-	2.143	-
Intesa San Paolo S.p.A.	Basket Bond		8.000	2020	2027	-	6.335	1.665
Unicredit S.p.A.	Loan	3M Euribor + 1,5% spread	3.000	2021	2023	-	3.000	-
Banca Ifis S.p.A.	Loan	3M Euribor + 3,25% spread	3.000	2021	2026	300	2.700	-

The Group's gross exposure to the banking system amounted to € 24 million as at 30 June 2021, while cash and cash equivalents amounted to € 7 million.

The risk of a liquidity shortage is monitored by using a financial planning instrument aimed at verifying over time the availability of sufficient cash flows, at all times, to cover the disbursements of capital and interest in respect of the debt and other obligations of the Group.

The Group uses also the direct remittance of the customer to the supplier and the related flows, although shown "gross" in the financial statements, do not generate operating cash flows.

Foreign exchange risk

The Group pays part of its costs in US dollars and receives part of its revenues in this currency. It is therefore exposed to the risk of a devaluation of the euro against the US dollar; however, it did not consider it appropriate to hedge this risk as this is significantly reduced through the instrument of direct remittance of the customer to the supplier.

Revenue and payment flows in currencies other than the US dollar are irrelevant.

Interest rate risk

The Group is exposed to marginal risks associated with the volatility of interest rates linked to loans. In fact, fixed-rate loans represented 41% of the total loans as at 31 December 2020.

Variable-rate loans are all linked to the 3M Euribor, which is currently at historically low levels.

Credit risk

We believe that the Group's business activities are carried out with parties with a good credit standing. The risk that a counterparty might not fulfil its obligations as at 30 June 2021 is limited, even though significant credit concentrations exist. These concentrations concern those customers with which the Group carries out recurring transactions.

The Group maintains a high level of attention, through monthly controls, on the exposures to its customers to identify the most critical positions. Where necessary, the bad debt provision is supplemented through a specific assessment of the individual positions to align trade receivables with

their presumed realisation value.

As at 30 June 2021, past due receivables were equal to 2% of total trade receivables and the bad debt provision was equal to 40% of the total past due.

2.4 New accounting standards, interpretations and amendments adopted by the Group

The accounting standards adopted for the preparation of these condensed half-year consolidated financial statements are consistent with those used for the drafting of the consolidated financial statements as at 31 December 2020, with the exception of the adoption of the new standards and amendments in force from 1 January 2021. The Group has not adopted in advance any new standard, interpretation or amendment issued but not yet in force.

2.5 Accounting standards issued by the IASB and endorsed by the European Commission

Regulation no. 2021/1080 issued by the European Commission on 28 June 2021

endorsed:

- the amendments to IAS 37, aimed at providing clarifications on the methods for determining the cost of a contract;
- the amendments to IAS 16, aimed at defining that the revenues deriving from the sale of goods produced by an asset before it is ready for the intended use are charged to the income statement together with the related costs of production;
- the amendments to IFRS 3, aimed at: (i) completing the update of the references to the Conceptual Framework for Financial Reporting in the accounting standard; (ii) provide clarifications on the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and levy assumed as part of a business combination transaction; (iii) make it clear that the potential assets cannot be recognised as part of a business combination;
- the document "Annual Improvements to IFRSs 2018-2020", containing amendments, essentially of a technical and editorial nature, of the international accounting standards.

These amendments are effective for periods beginning on or after 1 January 2022.

2.6 Accounting standards issued by the IASB and not yet endorsed by the European Commission

On 31 March 2021, the IASB issued the amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" (hereinafter, amendments to IFRS 16), aimed at extending the simplifications introduced in 2020 and relating to the possibility of not applying the provisions on "lease modification" to the price concessions obtained by the lessee as a result of COVID-19 also to the price changes granted for the instalments due on or before 30 June 2022, if certain requirements are met. The amendments to IFRS 16 are effective for periods beginning on or after 1 April 2021.

On 7 May 2021, the IASB issued amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities arising from a Single Transaction" (hereinafter amendments to IAS 12), aimed at requiring the recognition of deferred taxes for transactions that, upon initial recognition, give rise to taxable and

deductible temporary differences of the same amount. The amendments to IAS 12 are effective for periods beginning on or after 1 January 2023.

At present, ILBE is analysing the recently issued accounting standards and assessing whether their adoption will have a significant impact on the financial statements.

Note 3 Operating sectors: Disclosure

The activity carried out by the Group can be classified into three operating segments: (i) Film productions including right use and service activities (production activities carried out on behalf of third parties - the final Intellectual Property is not owned by the Group) and post-production activities; (ii) Authoring, encoding & digital delivery activities (A, E & DD); (iii) Celebrity Management, casting and production of digital ADV content (Celebrity Management).

The film production segment is the Group's core business. The Parent Company is a global production company specialising in the production of Hollywood-style film and television content for the international market, from preliminary project evaluation to post-production; for these characteristics, the customers of this operating segment are international sales agents or distributors located outside Italy. The segment includes also the service activities carried out by the Group in relation to the animated series Puffins: Impossible and the films Spin Me Round, Vote for Santa and The Christmas Witch. Within this segment, post-production activities are carried out by the subsidiary Arte Video.

The A, E & DD segment is developed by the subsidiary Arte Video.

The segment of Celebrity Management, casting and production of digital ADV content is related to the development of an internal celebrity management agency and is developed by the subsidiary Red Carpet.

Administrators monitor separately the results achieved by business units for the purpose of taking decisions regarding the allocation of resources and performance verification. The performance of segments is assessed based on their profits, as resulting from the consolidated financial statements.

The breakdown by operating segment is illustrated in Note 22.

Note 4 Intangible assets

The composition of the Intangible assets item as at 30 June 2021, compared with the same values as at 31 December 2020, is shown below:

€/000	30-Jun-21	31-Dec-20	Change
Finished productions	42,325	40,725	1,600
Productions in progress	7,852	5,401	2,451
IP and distribution rights	24,792	21,806	2,985
Other intangible assets	111	124	(13)
Total intangible assets	75,081	68,057	7,024

Changes in intangible assets are shown below (the decrease column in addition to amortisation for the year includes also other decreases):

€/000	As at 31 December 2020	Increases	Consolidation changes	Reclassifications	Decreases	As at 30 June 2021
Finished productions	40,725	90,155	-	2,359	(90,913)	42,325
Productions in progress	5,401	4,835	-	(2,359)	(25)	7,852
IP and distribution rights	21,806	5,016	-	-	(2,029)	24,792
Other intangible assets	124	-	-	-	(13)	111
Total intangible assets	68,057	100,006	-	-	(92,979)	75,081

The Finished productions item includes the capitalisation of the works produced, completed and delivered to the customer. These works refer to (i) the films The Poison Rose and Waiting for the Barbarians delivered in 2018 and 2019 respectively; (ii) 190 episodes of the web series Arctic Friends (15 episodes delivered in 2018, 35 in 2019, 72 in 2020 and 68 in 2021); (iii) 129 episodes of the web series Puffins (20 episodes delivered in 2019, 50 in 2020 and 59 in 2021); (iv) the segments of the film Tell it Like a Woman (formerly Together Now) delivered in 2019, 2020 and 2021; (v) the film Eddie & Sunny delivered in 2020; (vi) the Vod Cast Giving Back delivered in 2019; (vii) other minor projects.

The breakdown of the finished productions is as follows:

€/000	As at 31 December 2020	Increases 2021	Decreases/Amortisation and depreciation 2021	Reclassifications	As at 30 June 2021
The Poison Rose	-	-	-	-	-
Waiting for the Barbarians	359	-	(90)	-	269
AF 2018 (15 episodes) - 2018	-	-	-	-	-
AF 2019 (35 episodes) - 2019	2,856	-	(2,856)	-	-
AF 2020 (72 episodes) - 2020	14,947	-	(13,152)	-	1,795
AF 2021 (68 episodes) - 2021	-	54,585	(41,011)	96	13,670
AF rights	3,571	-	(2,799)	-	772
Total AF	21,374	54,585	(59,818)	96	16,237
Puffins 2019 (20 episodes) - 2019	3,341	-	(835)	-	2,506
Puffins 2020 (50 episodes) - 2020	7,728	-	-	-	7,728
Puffins 2021 (59 episodes) - 2021	-	35,328	(26,528)	41	8,841
Puffins rights	3,331	-	(1,283)	-	2,048
Total Puffins	14,400	35,328	(28,646)	41	21,123
Eddie & Sunny	742	-	-	-	742
Tell it like a Woman	3,850	242	(1,804)	-	2,288
Giving Back	-	-	-	-	-
Other Projects	-	-	(555)	2,222	1,667
TOTAL	40,725	90,155	(90,913)	2,359	42,325

The Production in progress item includes the capitalisation of the costs of films that were not finished in the first half of 2021.

The breakdown of the productions in progress is as follows:

€/000	As at 31 December 2020	Increases 2021	Decreases/Amortisation and depreciation 2021	Reclassifications	As at 30 June 2021
State of Consciousness	2,300	239	(9)	-	2,530
Tell it like a Woman	-	-	-	-	-
Dakota	-	4,091	-	-	4,091
Other Projects	3,101	505	(16)	(2,359)	1,231
TOTAL	5,401	4,835	(25)	(2,359)	7,852

The IP and Distribution rights item includes capitalisation of the costs incurred for the acquisition of the distribution rights for the films in Italy and the rights related to Intellectual Properties. The

increase in the item compared to the previous period is mainly related to the acquisition of the worldwide rights for the film The Good Witch of Christmas.

The breakdown of the Misc. rights item is as follows:

	As at 31 December 2020	Increases 2021	Decreases/Amortisation and depreciation 2021	Reclassifications	As at 30 June 2021
€/000					
Other distribution rights	146	-	(19)	-	128
Arctic Justice 8 Characters - IP	11,042	780	(1,182)	-	10,640
Lamborghini distribution rights	2,080	-	-	-	2,080
Arctic Justice film distribution rights	2,039	-	(510)	-	1,529
Christmas Thieves distribution rights	2,609	1,684	-	-	4,293
The Good Witch of Christmas distribution rights	-	2,436	-	-	2,436
Puffins rights - IP	3,642	-	(318)	-	3,324
Misc. rights - IP	247	116	-	-	363
TOTAL	21,805	5,016	(2,029)	-	24,792

During the period, no indications emerged of a possible loss in value with reference to intangible assets.

Note 5 Trademark and Goodwill

The Trademark (€ 359 thousand) and Goodwill (€ 75 thousand) derive from the difference between the prices paid for the acquisitions of controlling interests, and the "fair value" of the net assets acquired on the date in which control over them is essentially determined. In particular, Trademark relates to the acquisition of the interest in R.E.D. Carpet S.r.l., and Goodwill to the acquisition of the interest in Arte Video S.r.l.

The Group conducts impairment testing annually on 31 December and when circumstances indicate the possibility of a reduction in the recoverable amount of goodwill. The impairment test for goodwill and intangible assets with an indefinite useful life is based on the calculation of the value in use. The key assumptions used to determine the recoverable value of the various cash-generating units (CGUs) were illustrated in the consolidated financial statements as at 31 December 2020.

The Trademark was amortised at the rate of 1/18.

As at 30 June 2021, no circumstances emerged that were such to subject the trademark and goodwill to the impairment test.

Note 6 Deferred tax assets

Deferred tax assets, equal to € 6,710 thousand consist of taxes calculated on the temporary deductible differences deriving from a misalignment between the book values recognised in the financial statements and the corresponding values recognised for tax purposes. The breakdown of the deferred tax assets as at 30 June 2021, compared to 31 December 2020, is provided below:

	30-Jun-21	31-Dec-20	Change
Amortisation of intangible assets	5,791	5,523	268
Write-downs of intangible assets	413	413	-
Other temporary differences	506	353	153
Total deferred tax assets	6,710	6,289	421

Please note that deferred tax assets are recognised to the extent that the existence is probable of future taxable profits to a sufficient extent to ensure the use of deductible temporary differences determined on the balances of the assets and liabilities.

Deferred tax assets were accounted for consistently with the estimate of the probable time manifestation and the amount of future taxable profits.

Note 7 Equity investments recognised using the equity method

Total equity investments in associated companies as at 31 December 2020 were equal to € 18 thousand. This amount refers to the company Furuna Crafts d.o.o.

Note 8 Other non-current assets

Other non-current assets were equal to € 2,324 thousand and consisted of receivables due beyond the year (i) for the consideration paid to the Group by Tatatu S.p.A. and related to the closure of the ADV Business Unit (€ 1,721 thousand), and (ii) for a portion of the Guaranteed Minimum, equal to € 533 thousand, for the film Eddie & Sunny.

Note 9 Trade receivables

Trade receivables were equal to € 34,482 thousand. Below is the detail:

€/000	30-Jun-21	31-Dec-20	Change
Trade receivables due from third-party customers	34.482	16.787	17.695
<u>Receivables due from related parties</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total trade receivables	34.482	16.787	17.695

Trade receivables are generated by normal business activity and are regularly collected at the due dates set in the sales agreements.

The following table provides the geographical breakdown of Trade receivables:

€/000	30-Jun-21	31-Dec-20	Change
Receivables due from domestic customers	8.621	5.486	3.135
Receivables due from EU customers	19.111	-	19.111
<u>Receivables due from non-EU customers</u>	<u>6.751</u>	<u>11.301</u>	<u>(4.550)</u>
Total trade receivables	34.482	16.787	17.695

The following table provides the breakdown of Trade receivables by operating segment:

€/000	30-Jun-21	31-Dec-20	Change
Receivables due from customers - cinema production	32.556	15.991	16.565
Receivables due from customers - A, E & DD	336	331	5
<u>Receivables due from customers - Celebrity Management</u>	<u>1.580</u>	<u>465</u>	<u>1.125</u>
Total trade receivables	34.482	16.787	17.695

The company carries out a specific assessment of the credit risk for each customer. As at 30 June 2021, doubtful debts equal to € 123 thousand were identified through this analysis.

€/000	30-Jun-21	31-Dec-20	Change
Gross trade receivables	34.605	16.909	17.696
Bad debt provision	(123)	(122)	(1)
Total trade receivables	34.482	16.787	17.695

Note 10 Tax credits

The table below presents the composition of tax credits as at 30 June 2021 and 31 December 2020:

€/000	30-Jun-21	31-Dec-20	Change
VAT credit	1.216	801	415
Tax credit for cinema production	21.550	20.052	1.498
Tax credit for cinema self-distribution	520	520	-
IPO tax credit	-	209	(209)
Net IRES advances	741	93	648
Other tax credits	87	46	41
Total tax credits	24.114	21.721	2.393

The tax credit for cinema production item refers to the tax relief deriving from tax credits granted to film production companies in relation to the costs incurred for the production of audiovisual works of Italian nationality.

Note 11 Current financial assets

The item, equal to € 4,419 thousand, consists of financial investments made by the Group to optimise the management of uncommitted funds. Financial investments are made up of investment funds, 85% of which is made up of bonds.

€/000	Book value	Fair value	Fair Value Level
	4.419	4.419	Level 1

Pursuant to the disclosure required by paragraph 15B (k) of IAS 34, it should be noted that the Group determines the fair value in compliance with IFRS 13 each time this measurement criterion is required by international accounting standards. The fair value is given by the price that would be received for the sale of an asset or that would be paid for the transfer of a liability as part of an ordinary transaction between market operators, at the valuation date (so-called "exit price"). Its best identification is the market price, i.e. its current price, publicly available and effectively traded on a liquid and active market. The fair value of assets and liabilities is classified in a fair value hierarchy that envisages three different levels, defined as follows, based on the inputs and valuation techniques used to measure the fair value:

- > Level 1: listed prices (not modified) on active markets for identical assets or liabilities to which the Company can access at the measurement date;
- > Level 2: inputs other than listed prices in Level 1 that can be observed for the asset or liability, both directly (such as prices) and indirectly (derived from prices);
- > Level 3: inputs for the asset and liability not based on observable market data (non-observable inputs).

Note 12 Other current assets

The breakdown of the Other current assets item is provided in the following table:

€/000	30-Jun-21	31-Dec-20	Change
Advances to suppliers	221	150	71
Receivable from ADS	4.244	3.300	944
Receivables from Lazio Region	-	117	(117)
Other receivables	51	-	51
Prepaid expenses	19	23	(4)
Total other current assets	4.535	3.590	945

The relationship with ADS is connected with the receivable from the Serbian company Archangel Digital Studios, user of the service activities of the Group company Iervolino Studios d.o.o.

Note 13 Assets deriving from contracts with customers

The item includes activities for work in progress related to service activities carried out in Serbia for the production of 54 episodes of the Puffins: Impossible series and recognised according to the stage of completion.

Note 14 Cash and bank deposits

The item includes the balance of cash and cash equivalents.

There are no restrictions on cash and cash equivalents as at 30 June 2021 and 31 December 2020.

Note 15 Shareholders' equity

Below is the composition of the item:

€/000	30-Jun-21	31-Dec-20	Change
Share capital	1.401	1.401	-
Legal reserve	497	497	-
Share premium reserve	16.491	16.491	-
Extraordinary Reserve	19.442	-	19.442
Other reserves	3	(27)	30
Profit/(loss) carried forward	29.242	29.181	61
Profit/(loss) for the year	12.349	19.498	(7.149)
Total shareholders' equity	79.424	67.041	12.384
<i>of which NCIs</i>	-	-	-

Share Capital

As at 30 June 2021, the share capital was equal to € 1,401 thousand, fully paid, and consisting of 35,016,104 shares.

Legal Reserve

As at 30 June 2021, the legal reserve was equal to € 497 thousand.

Share premium reserve

As at 30 June 2021 the share premium reserve consisted of:

- listing of the shares on the AIM Italia multilateral trading system organised and managed by Borsa Italiana S.p.A. ("AIM Italia"), which ended with the start of negotiations on 5 August 2019 (€ 8,240 thousand);
- conversion of the bonds deriving from the convertible bond loan "lervolino Entertainment S.p.A. Convertible Bond 5% 2019" (€ 707 thousand);
- issue of the automatically convertible bond loan "lervolino Entertainment S.p.A. Converting 3% 2019" (€ 7,251 thousand);
- acquisition of the subsidiaries Arte Video S.r.l. and R.E.D. Carpet S.r.l. (€ 293 thousand).

Extraordinary reserve

The item includes part of the allocation of the result for the year 2020.

Other reserves

A breakdown of the Other reserves item as at 30 June 2021 and 31 December 2020 is provided below:

€/000	30-Jun-21	31-Dec-20	Change
Translation reserve	17	8	9
OCI reserve IAS 19	(14)	(35)	21
Other reserves	3	(27)	30

The objectives of lervolino in capital management are inspired by the creation of value for shareholders, the guarantee of the interests of the stakeholders and the safeguarding of the business continuity, as well as the maintenance of an adequate level of capitalisation allowing economic access to external sources of financing aimed at adequately supporting the development of the Group's activities.

Note 16 Non-current financial liabilities

Below is a breakdown of the Non-current financial liabilities item as at 30 June 2021 and 31 December 2020:

€/000	30-Jun-21	31-Dec-20	Change
Loans	10.964	10.281	683
Basket Bond	7.839	7.798	41
Other non-current financial liabilities	51	29	22
Total non-current financial liabilities	18.854	18.108	746

The item includes medium/long-term variable and fix rate bank loans. Below is the table relating to the loans established by the Group:

€/000	Issuing institution	Type of loan	Interest rate	Amount disbursed	Origination year	Expiry year	Within 1 year	Between 1 and 5 years	Over 5 years
	Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	99	223	-
	Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	99	232	-
	Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2023	125	199	-
	Intesa San Paolo S.p.A.	Loan	3M Euribor + 2.5% spread	4.100	2020	2023	-	2.484	-
	Intesa San Paolo S.p.A.	Loan	3M Euribor + 2.5% spread	5.500	2020	2025	-	2.143	-
	Intesa San Paolo S.p.A.	Basket Bond	4.07%	8.000	2020	2027	-	6.335	1.665
	Unicredit S.p.A.	Loan	3M Euribor + 1.5% spread	3.000	2021	2023	-	3.000	-
	Banca Ifis S.p.A.	Loan	3M Euribor + 3.25% spread	3.000	2021	2026	300	2.700	-

In particular, the regulation of the Basket Bond provides for specific economic/financial covenants with predefined threshold values in terms of Net Financial Position/EBIT, Net Financial Position/Shareholders' Equity and EBIT/Gross Interest. As at 30 June 2021, these covenants had been fulfilled.

The net financial position as at 30 June 2021 and 31 December 2020 is shown below:

<u>Net financial position - €/000</u>	<u>30/06/2021</u>	<u>31/12/2020</u>
Cash and cash equivalents	(2.347)	(3.513)
Liquidity	(2.347)	(3.513)
Financial assets (investment funds)	(4.419)	(4.348)
Bank payables	24.099	23.487
Net financial indebtedness	19.680	19.139
Debit NFP	17.333	15.626

Note 17 Current financial liabilities

Current financial liabilities as at 30 June 2021 amounted to € 5,082 thousand:

€/000	30-Jun-21	31-Dec-20	Change
Short-term portion of non-current financial payables	786	366	420
Other current financial liabilities	21	37	(16)
Current account overdraft	4.438	4.975	(537)
Total current financial liabilities	5.245	5.378	(133)

Note 18 Trade payables

Trade payables were equal to € 40,475 thousand, as indicated in the following table:

€/000	30-giu-21	31-dic-20	Variazione
Debiti Commerciali	40.475	25.289	15.186
Debiti verso parti correlate	-	-	-
Totale Debiti commerciali	40.475	25.289	15.186

Total trade payables represent the Group's debt to suppliers for service purchases.

The following table shows the geographical breakdown of Trade payables:

€/000	30-giu-21	31-dic-20	Change
Trade payables	40.475	25.289	15.186
Payables to related parties	-	-	-
Total trade payables	40.475	25.289	15.186

Note 19 Tax liabilities

The Tax payables item includes payables relating to IRES, IRAP and other taxes. Below is the detail:

€/000	30-Jun-21	31-Dec-20	Change
Payables for current taxes	694	810	(116)
VAT payables of previous years	961	150	811
Sundry tax payables	661	665	(4)
Total tax payables	2,316	1,625	691

Note 20 Contract liabilities

As at 30 June 2021, contractual liabilities were equal to € 4,647 thousand; the breakdown compared to the amounts as at 31 December 2020 is provided below:

€/000	30-Jun-21	31-Dec-20	Change
Contractual liabilities	4,372	2,980	1,392
Total contractual liabilities	4,372	2,980	1,392

The contractual liabilities derive from financial advances received for performance obligations that will be met in the following period. In particular, the contractual liabilities refer to the advances received and mainly relating to the Dakota project.

Note 21 Other current liabilities

As at 30 June 2021, Other current liabilities were equal to € 6,909 thousand; the breakdown compared to the amounts as at 31 December 2020 is provided below:

€/000	30-Jun-21	31-Dec-20	Change
Payables to personnel	400	213	187
Deferred income	5,301	8,769	(3,468)
Other payables	1,208	80	1,128
Total other current liabilities	6,909	9,062	(2,153)

Other current liabilities are mainly made up of deferred income relating to the portion of government grants - tax credit, which, on the basis of IAS 20, must be systematically divided between the financial years in order to be commensurate with the recognition of the costs they intend to offset.

Note 22 Revenues

Revenues were equal to € 103,146 thousand and refer to the following operating segments:

€/000	30-Jun-21	30-Jun-20	Change
Film production revenues	100,228	40,509	59,719
ADV revenues	-	1,090	(1,090)
Celebrity management, casting and digital ADV content production revenues	2,442	-	2,442
Authoring, encoding & digital delivery revenues	476	300	176
Total revenues	103,146	41,899	61,247

Revenues from film productions relate to: (i) the sale of use rights of Intellectual Properties during the year (€ 67,281 thousand); (ii) the concession of the right to use the know-how developed by the company

for the production of animations (hereinafter also "Pipeline") (€ 22,862 thousand); (iii) the concession of the right to use the character license (€ 2,935 thousand); (iv) revenues for services activities (€ 7,033 thousand); (v) other revenues (€ 117 thousand).

€/000	30-Jun-21	30-Jun-20	Change
Revenues from IP use right sale	67.281	40.509	26.772
Revenues from pipeline right sale	22.862	-	22.862
Revenues from character right sale	2.935	-	2.935
Service revenues	7.033	-	7.033
Other revenues	117	-	-
Total revenues	100.228	40.509	59.602

Revenues from disposals were recognised when the company transferred the right to use the license, pipeline and characters. Pursuant to IFRS 15, revenues are recognised at a point in time, as the company sells a right to use, and connected to concessions actually contracted during the year.

Revenues related to film production services are recognised with reference to the stage of completion. Revenues related to royalties based on the use and the sales of an IP licence are recognised if both the following conditions are satisfied: (i) use has occurred and (ii) the performance obligations, based on which some or all the royalties based on the use of an IP licence were allocated, were satisfied.

A breakdown of film production revenues by film/web series is provided below:

€/000	30-Jun-21	30-Jun-20	Change
Sale of IP use rights	67.281	40.509	26.772
The Poison Rose	-	90	(90)
Arctic Friends web series	42.366	25.623	16.743
Tell it like a Woman	2.420	1.142	1.278
Waiting for the Barbarians	-	-	-
Eddie & Sunny	-	-	-
Puffins web series	22.495	13.654	8.841
Giving Back	-	-	-
Sale of pipeline rights	22.862	-	22.862
Arctic Friends web series	22.862	-	22.862
Sale of character rights	2.935	-	2.935
Arctic Friends web series/Other IP	2.935	-	2.935
Services activities	7.033	-	7.033
Puffins: Impossible	6.583	-	6.583
Other services activities	450	-	450
Other film production revenues	117	-	117
Total film production revenues	100.228	40.509	59.719

Revenues are mainly from non-EU customers (€ 73.8 million) and EU customers (€ 19.1 million); the remainder is from Italian customers.

The company's performance is not overall significantly affected by seasonal phenomena associated with certain periods of the year.

Celebrity Management and Digital Delivery revenues are all from Italian customers.

Note 23 Other revenues and income

As at 30 June 2021, Other revenues and income were recorded for € 125 thousand. The significant reduction compared to 30 June 2020 is connected with the absence during the period of transactions for the transfer of rights to receive the income due from the economic rights of the films.

£/000	30-Jun-21	30-Jun-20	Change
Back-end right sale income	-	8.614	(8.614)
Other income	125	2	123
Total other revenues and income	125	8.616	-8.491

Note 24 Tax credits and other government grants

The item consists mainly of the tax credit for cinema production: it refers to the tax relief deriving from the tax credits granted to film production companies in relation to the costs incurred for the production of audiovisual works of Italian nationality.

A breakdown of the tax credits and the other government grants is provided below:

£/000	30-Jun-21	30-Jun-20	Change
Tax credit for cinema production	10.341	3.662	6.679
The Poison Rose	-	105	(105)
Arctic Friends web series (different seasons)	6.117	2.427	3.690
Tell it like a Woman	153	217	(64)
Waiting for the Barbarians	26	913	(887)
Eddie & Sunny	-	-	-
Puffins web series (various seasons)	4.045	-	4.045
R&D tax credit	558	1.311	(753)
Arctic Friends web series	558	1.311	(753)
Total tax credits and other government grants	10.899	4.973	5.926

Note 25 Costs for services

The Costs for services item and the relative comparison with the balances of the previous year are detailed in the following table:

£/000	30-Jun-21	30-Jun-20	Change
ADV costs	-	503	(503)
Celebrity management costs	1.861	-	1.861
Costs for providing services	534	-	534
Costs for digital delivery	156	-	156
Travel and lodging	120	29	91
Misc. administrative expenses	201	176	25
Bank fees	18	34	(16)
Technical consulting	113	207	(94)
Marketing costs	123	6	117
Insurance costs	2	22	(20)
Fees to Directors	515	125	390
Rentals and leases	133	35	98
Fees to Board of Statutory Auditors	20	60	(40)
Other costs for services	94	50	44
Total costs for services	3.890	1.247	2.643

The increase in the item compared to the previous period is mainly due to costs incurred for the activities of Celebrity Management relating to the subsidiary RED Carpet S.r.l.

Note 26 Personnel expenses

The Personnel expenses item during the period increased, mainly in connection with the recruitment plan of Iervolino Studios d.o.o.

Note 27 Amortisation/depreciation, write-downs and provisions

The Amortisation/depreciation, write-downs and provisions item and the relative comparison with the balances of the corresponding period of the previous year are detailed in the following table:

€/000	30-Jun-21	30-Jun-20	Change
Amortisation of intangible assets			
Amortisation of The Poison Rose	-	422	(422)
Amortisation of Arctic Friends WS	59.818	23.950	35.868
Amortisation of Puffins WS	28.646	13.121	15.525
Amortisation of Waiting for the Barbarians	90	3.221	(3.131)
Amortisation of Tell it like a Woman	1.804	862	942
Amortisation of other rights	2.584	18	2.566
Other intangible assets	18	7	11
Amortisation of rights of use	-	7	(7)
Depreciation of tangible assets	33	9	24
Amortisation/depreciation	92.993	41.617	51.376
Write-downs and provisions	-	-	-
Total amortisation/depreciation, write-downs and provisions	92.993	41.617	51.376

The increase in amortisation/depreciation is connected with the application of the "film forecast computation method", based on which the amortisation/depreciation at the reporting date is calculated in relation to the useful life of the asset and estimated, having regard to the specific characteristics of the individual productions and their visibility, prudentially over a maximum time horizon of four years.

Note 28 Financial income and expenses

The Financial expenses item and the relative comparison with the balances of the previous year are detailed in the following table:

€/000	30-Jun-21	30-Jun-20	Change
Gains on exchange rates	112	464	(352)
Other financial income	-	-	-
Total financial income	112	464	(352)
Interest expense on loans	366	153	213
Amortised cost	129	-	129
Losses on exchange rates	1.345	631	714
Other financial expenses	177	77	100
Total financial expenses	2.017	861	1.156

Note 29 Income taxes

The breakdown of the Income taxes item is as follows:

€/000	30-Jun-21	30-Jun-20	Change
IRES	1.216	2.028	(812)
IRAP	254	362	(108)
Taxes from previous years	(294)	(110)	(184)
Deferred taxes	(426)	(270)	(156)
Total income taxes	750	2.011	(1.261)

The difference between the standard tax rate for IRES, at 24%, and the effective tax rate, at 6%, is mainly attributable to the combined effect produced by: (i) an increase related to the amortisation of intangible assets for € 23.4 million; (ii) a decrease of € 10.9 million in revenues from public grants; (iii) a decrease related to the amortisation rate of intangible assets recovered for taxation in 2021 for € 22.3 million.

Note 30 Earnings per share

The basic earnings per share is calculated by dividing the profit for the year attributable to the Group's ordinary shareholders by the weighted average number of ordinary shares in circulation during the period.

Diluted earnings per share is calculated by dividing the profit to be attributed to the Group's ordinary shareholders (after adjustment to take into account the interest on the convertible bonds) by the weighted average number of ordinary shares outstanding during the year and by those deriving from the conversion of all convertible bonds.

The result and information on the shares used for the purpose of calculating basic and diluted earnings per share are shown below:

	30-Jun-21	30-Jun-20
€/000 Weighted average number of ordinary shares for calculating basic earnings per share	24.016	22.393
<u>Profit for the year</u>	<u>12.349</u>	<u>9.598</u>
Basic earnings per share (ordinary shares)	0.51	0.43
 <u>Bonds convertible into ordinary shares</u>	 -	 1.575
Diluted earnings per share (ordinary shares)	0.51	0.40

Note 31 Other information

31.1 Related-party transactions

The financial and economic transactions of the Issuer with related parties from 1 January 2021 to 30 June 2021 are as follows:

	Trade receivables €/000	Other assets €/000	Trade payables €/000	Other liabilities €/000	Revenues €/000	Costs €/000
TATATU S.p.A.	-	1.721	-	-	-	-
Total transactions with related parties	-	1.721	-	-	-	-
Total balance sheet items	34.482	123.706	40.475	38.287	114.170	99.166
Weight on balance sheet items	0%	1%	0%	0%	0%	0%

No related-party transactions were carried out during the period. The balance of receivables from Tatatu S.p.A. concerns a receivable due in 2023 for the consideration paid for the closure of the ADV business unit (€ 1,089 thousand) and a trade receivable (€ 641 thousand).

The financial and economic transactions of the Issuer with related parties from 1 January 2020 to 31 December 2020 are as follows:

	Trade receivables €/000	Other assets €/000	Trade payables €/000	Other liabilities €/000	Revenues €/000	Costs €/000
TATATU S.p.A.	-	1.731	-	-	1.090	-
Total transactions with related parties	-	1.731	-	-	1.090	-
Total balance sheet items	16.876	113.295	25.289	37.752	120.735	98.695
Weight on balance sheet items	0%	2%	0%	0%	1%	0%

The transactions carried out by the Group with related parties at market conditions concern the

consideration paid by TATATU Enterprises Ltd (now TATATU S.p.A.) to Iervolino & Lady Bacardi Entertainment S.p.A. following the closure of the ADV business unit.

31.2 Fees due to the Independent Auditors

The following table shows the fees for auditing services and for other services provided by the Independent Auditors:

€/000 Service	Party	Total
Limited audit of the half-year financial report as at 30 June 2021	EY S.p.A.	20
Total		20

31.3 Commitments and guarantees given by the Group

As part of its activities, the Group has received and given guarantees to obtain financial credit lines to obtain short- and medium/long-term credit lines.

€/000	30/06/2021
Guarantees given by the Group	4.364
Guarantees received by the Group	9.930
Total guarantees given and received	14.294

31.4 Information pursuant to Art. 1, para. 125, Italian Law no. 124 of 4 August 2017

In compliance with the obligations of transparency of public disbursements introduced by Art. 1, paras. 125-129 of Italian Law no. 124/2017, it should be noted that in regard to tax credits for independent producers of audiovisual works pursuant to Art. 8, para. 2, of Italian Decree Law no. 91 of 8 August 2013; Italian Min. Decree of 5 February 2015; and Italian Min. Decree Tax Credit 15/03/2018 referring to Arts. 15 and 16 of Italian Law no. 220 of 14 November 2016, a breakdown of the tax credit accrued in 2019, 2020 and 2021 is provided below:

€/000 Granting authority	Title of work	Tax credit accrued as at 30 June 2021	Tax credit accrued in 2020	Tax credit accrued in 2019
Mibact	Tell it like a Woman	-	-	2.620
Mibact	Arctic Friends web series (various seasons)	5.908	6.177	3.986
Mibact	Puffins web series (various seasons)	5.348	3.971	2.181
Mibact	Waiting for the Barbarians	-	520	4.187
Mibact	Eddie & Sunny	-	1.233	-
Total		11.256	11.901	12.974

31.5 Subsequent event

On 27 July 2021, the parent company ILBE completed successfully the issue of a bond loan for a total principal amount of € 10,000,000 with maturity in 2028. The resources collected will be used by the Group for the production of film and audiovisual works.

The issue of the bond loan is part of the "Basket Bond di Filiera" transaction, the € 200 million programme promoted by Cassa Depositi e Prestiti and UniCredit with the aim of financing development plans of companies belonging to the strategic chains of the Italian economy, in Italy and abroad.

Specifically, the bond issued by ILBE is dedicated to companies operating in the culture sector.

The bond loan has a duration of 7 years and half-yearly instalments, it will be of the "amortising" type with a pre-amortisation period of 12 months. The bonds will bear interest at the nominal gross annual fixed rate of 2.55% to be paid, with reference to the first coupon, in advance about the fifteenth day after the issue date and, with reference to subsequent coupons, in arrears every six months.

31.6 Transactions resulting from atypical and/or unusual operations

In the period between 31/12/2020 and 30/06/2021 no atypical and/or unusual transactions were carried out.