



IERVOLINO ENTERTAINMENT

Half-Year Consolidated Financial Report as at 30 June 2020

Holding: IERVOLINO ENTERTAINMENT S.p.A.

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REPORT ON OPERATIONS OF IERVOLINO GROUP FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED AS AT 30 JUNE 2020

1. Introduction

The condensed interim consolidated financial statements at 30 June 2020 of the Iervolino Entertainment Group (hereinafter also the IE Group or Group) represent the first consolidated financial statements due to the consolidation of the investments recently acquired in full form Arte Video S.r.l. and R.E.D. Carpet S.r.l.. Moreover, during the second half of the 2020 financial year, the recently established entities, again in full, Iexchange S.r.l. and Iervolino Studios d.o.o. (Serbia).

The condensed consolidated interim financial statements at 30 June 2020 closed with total revenues of € 55,488 thousand, with an increase of € 45,945 thousand compared to the first half of 2019 (+ 476%).

EBIT for the first half of 2020 was 12,001 thousand euros, with an increase of 9,075 thousand euros compared to the first half of 2019 (+ 311%).

These excellent results are the result of the investment choices in quality Intellectual Properties and the production of web series and films aimed essentially at international markets and, mainly, for use by the streaming public. In this regard, the successes of positioning in the first places of approval by the public on Apple TV of the films "The poison rose", "Waiting for the barbarians" and the first collections of "Arctic Friends" confirm the goodness of the choices made.

This market choice, together with a balanced financial coverage reinforces the trend of company growth and its sustainability over time.

2. The macroeconomic context and the reference market

The macroeconomic context and the reference market

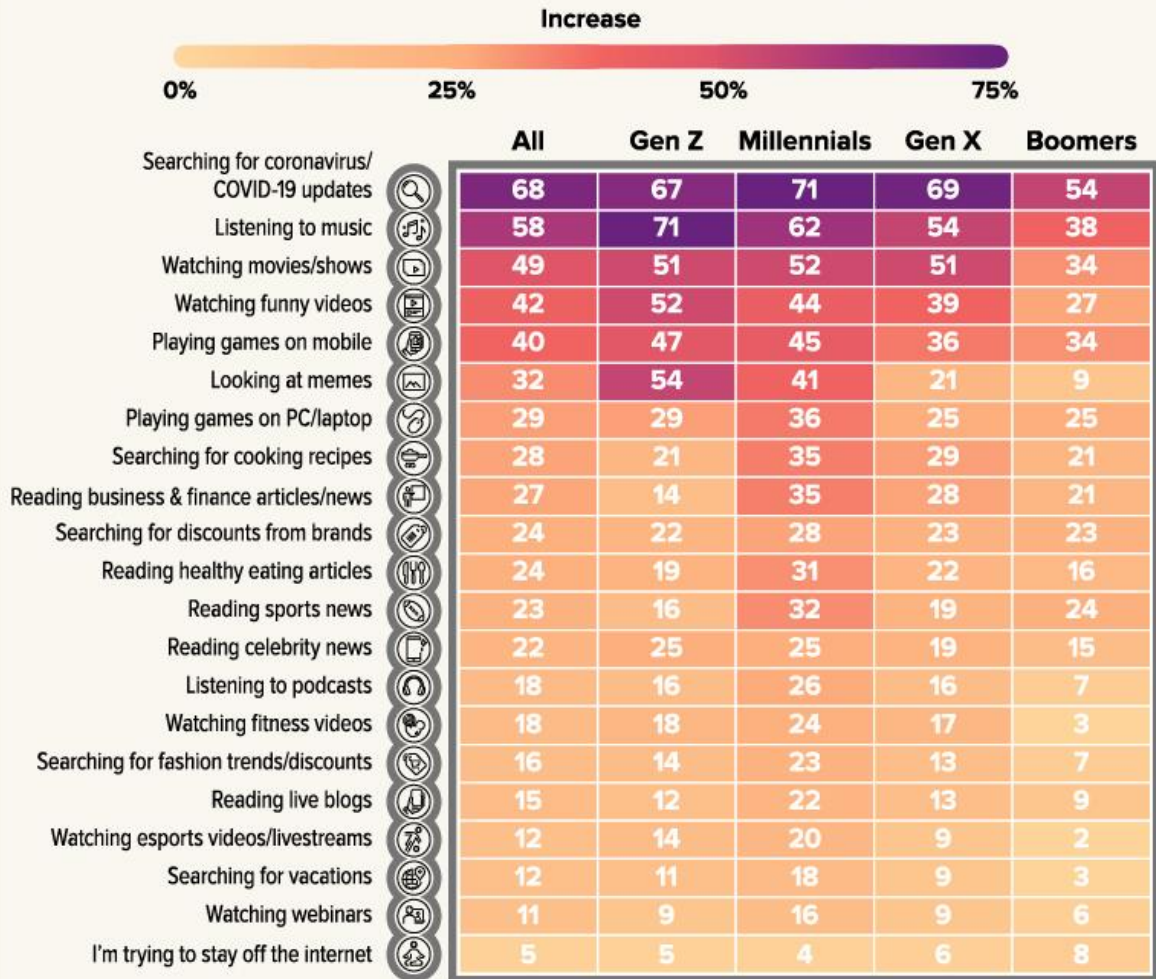
The macroeconomic context of the first half of 2020 was characterized by the impact of the effects of the marked slowdown in the world economy due to the restriction measures on significant activities of daily life adopted by the Authorities in almost all countries to combat the spread of coronavirus infections Covid- 19.

This had a significant effect on the consumption of media products. In fact, during the lock-down periods, people's free time that would otherwise have been spent at the cinema in theaters, or live events, was spent at their homes.

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

The chart below, taken from a recent Global Web Index report on coronavirus, analyzes how people have increased their media consumption following the outbreak and how they differ by generation.

Quarantine Internet Activities, %



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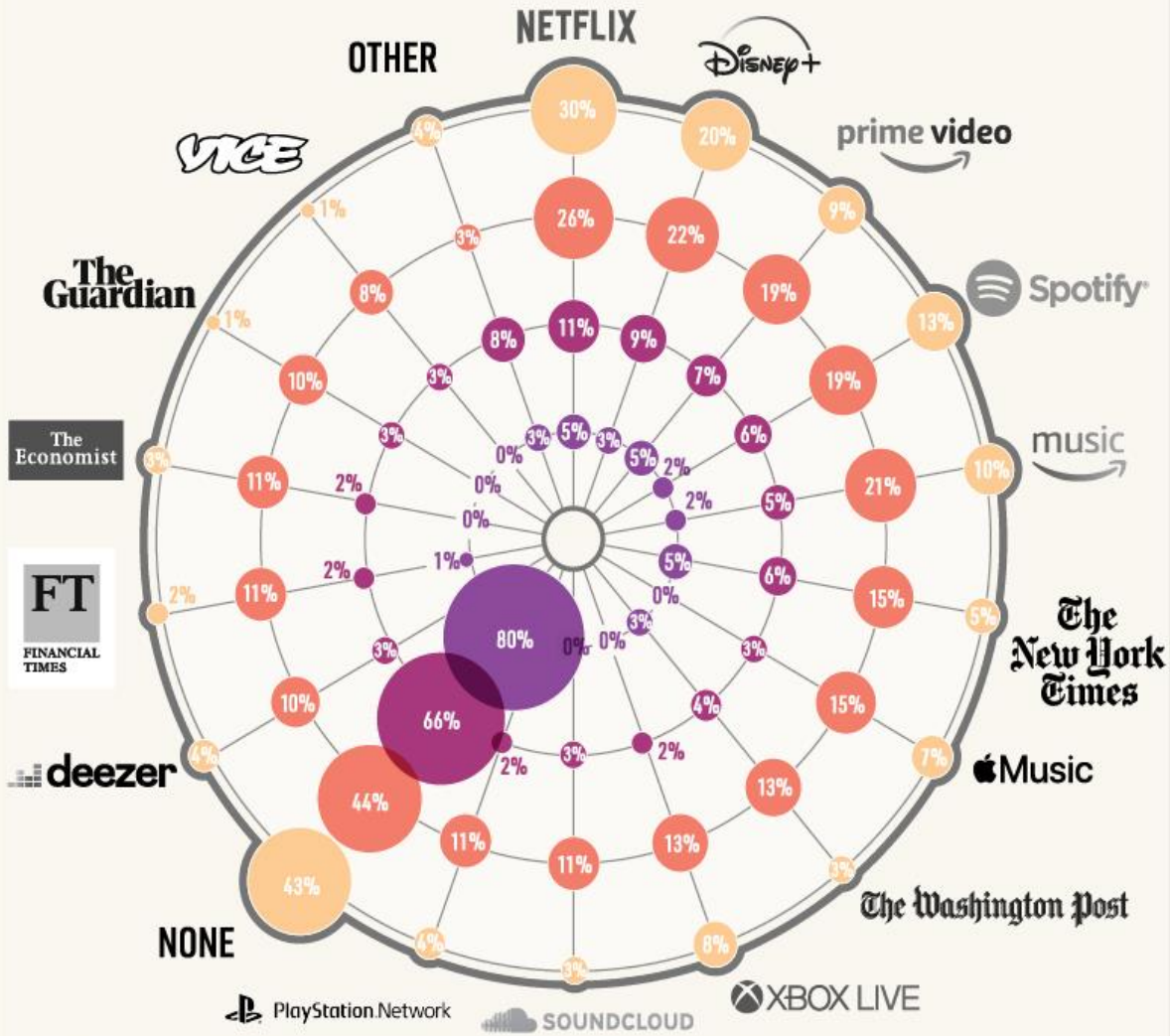
Source: Global Web Index, Coronavirus Research Report, April 2020

The Global Web Index found that the increase in videos and shows represents the third activity by increase equal to 49% and with a strong prevalence of the younger generations. Added to this is that the same report mentions how over 80% of consumers in the United States and the United Kingdom say they consume more content during the epidemic, through TV broadcasts and online video (YouTube, TikTok) which main media of all generations and genders.

In this context, users appear more inclined to invest in new subscription services, with nearly a third of new generations saying they are considering purchasing new subscriptions to streaming platforms, in particular Netflix, followed by Disney.

% of people who would consider paying for a subscription they didn't have before the outbreak

● Gen Z ● Millennials ● Gen X ● Boomers



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 Source: Global Web Index, Coronavirus Research Report, April 2020

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

Regardless of the type of content they consume, each generation relies on their devices to get information and distractions more than ever, creating a huge opportunity for media companies to engage their audience.

Alcune considerazioni sulle evoluzioni dei futuri trend di mercato

The significant slowdown in the world economy due to the measures to restrict significant activities of daily life adopted by governments in most countries, has led to changes in the behavior of the activities and desires of the community, some of which, probably, destined to last because they derive from acceleration of dynamics already in progress.

So let's talk about those trends that, unlike the momentary ones, foreshadow the future. Among those most analyzed by scholars and experts, albeit with the due premise that these are still evolving and unconsolidated dynamics, it is worth mentioning:

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

The new frontiers of healthcare will probably be marked by a regulatory reorganization that will be made of protection from risk but also of risk taking. Regulations that support this second trend could give a boost to the development of new drugs, but also to genomics and precision medicine, while new rules aimed at protecting from risk could push new technologies capable of ensuring greater preparation by health systems.

The new Millennial mentality and of the new generations in general consists in adopting an online approach in all fields, from e-commerce to entertainment, up to e-learning. Here too it is reasonable to think that we are in the presence of a trend projected well beyond the pandemic and that, from the investor's point of view, it will reward companies with a solid digital footprint.

Finally, the commitment and consideration of environmental, social and governance aspects to promote a more sustainable society and economy that are at the top of the agendas of the actors of society and the global economy.

The relevance of these factors is found in the ever-increasing weight of non-financial sustainability reporting (so-called social report), which together with an adequate communication policy in compliance with the principle of accountability, constitutes an irreplaceable means of corporate characterization globally recognized.

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

Going to contextualize the macroeconomic effects and the market trends described above, the following illustrates the effects on the activities of the IE Group.

a) The activities of the first half of 2020

With reference to the recent restrictions linked to the outbreak of the Covid-19 pandemic, the productions of the IE Group, being mainly intended for streaming platforms, have not yet suffered any particular effects except as regards the planning of the filming of the films Together Now and Eddie & Sunny who have had a deferral from the original production plan.

The operating mode in smart-working, even if more onerous due to technical adaptations, the increase in the workforce and, finally, the contracts with the customer and suppliers to anticipate some 2021 deliveries of the Arctic Friends web series to 2020, will compensate for any prolongation the

postponement of the filming of the aforementioned films.

The smart-working mode of operation resulted in the complete absorption of the Group's production capacity.

It is also specified that the technical times necessary to make the smart-working operating mode more efficient led, during the month of March, to a slight delay in the deliveries of some productions relating to episodes of the Puffins web series, promptly recovered at the beginning of May.

b) The effects on future activities

The productions of the IE 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 characterize the Group's core business, there are immediate expectations of increasing growth opportunities.

3. The business model of Iervolino Group

The IE Group is a Global Production Group specialized in the production of film and television content including web series, films, TV-shows and short TV shows. Boasting relationships with international partners of primary standing, it interacts with internationally renowned actresses and actors for the development of audiovisual productions for international distribution.

The contents of the audiovisual productions of the IE Group are considered to be of Hollywood standing, being designed for the global market and providing for the participation of internationally renowned actors such as Johnny Depp, Morgan Freeman, Robert Pattinson and Eva Longoria. The works are mainly shot directly in English.

The Group starts the production of cinematographic and audiovisual contents after having stipulated contracts for the sale of international distribution rights which provide for the payment of the so-called guaranteed minimum, thus transferring the performance risk of the work to international distributors.

The Group then remains the owner of the intellectual property rights that can be exploited in the years following the production of the contents through rights to remakes, sequels and other derivative products.

Revenues from the transfer of the rights of audiovisual works are accounted for at the time of delivery of the works, while back-end revenues are recognized when realized in the years following the delivery of the work or through the related transfer of rights. Government grant revenues are recognized in correlation with the realization of revenues from the sale of international distribution and back-end rights.

The cost of sales of audiovisual works is essentially represented by the share pertaining to the year of depreciation of audiovisual works calculated according to the international accounting standard illustrated in the notes to the "film forecast computation method" with an amortization criterion determined in relation useful life of the asset is estimated, having regard to the peculiarity of the individual productions in place, over a time horizon of four years.

The group's activities complete:

- ✓ post-production which is the activity of 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 business.

The revenues and margins deriving from these latter activities are recorded on an accrual basis on the basis of the production carried out.

4. The activities carried out in the period

Productions

With reference to the management activity, we point out the following activities of the parent company Iervolino Entertainment (also IE) relating to the productions:

Arctic Friends (formerly Arctic Justice)



During the period, the "Arctic Friends" project continued, 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 theaters last year, and was among the three most viewed titles in the "lock-down" period on Netflix US.

The series is made up of mini-episodes lasting 5 minutes each. For a better diffusion of the product globally on the platforms, it was then decided, in agreement with the distributor, to use, as in other successful cases such as the Minions and Tom and Jerry, a universal language composed of sounds and noises, thus avoiding voiceovers in various local languages.



This series chronicles the exciting life adventures of Swifty, the arctic fox who has finally achieved his dream job; be the best delivery dog at "Arctic Blast Delivery Service". With the help of his best friend PB polar bear, Jade the feisty red fox and the ABDS team, this team is ready and determined for whatever they are asked to deliver. Constantly thwarted by the nefarious mind of the master, Otto Van Walrus and his mischievous puffins, Swifty must outsmart and "defeat" these villains to ensure that all packages are delivered to their respective recipients!

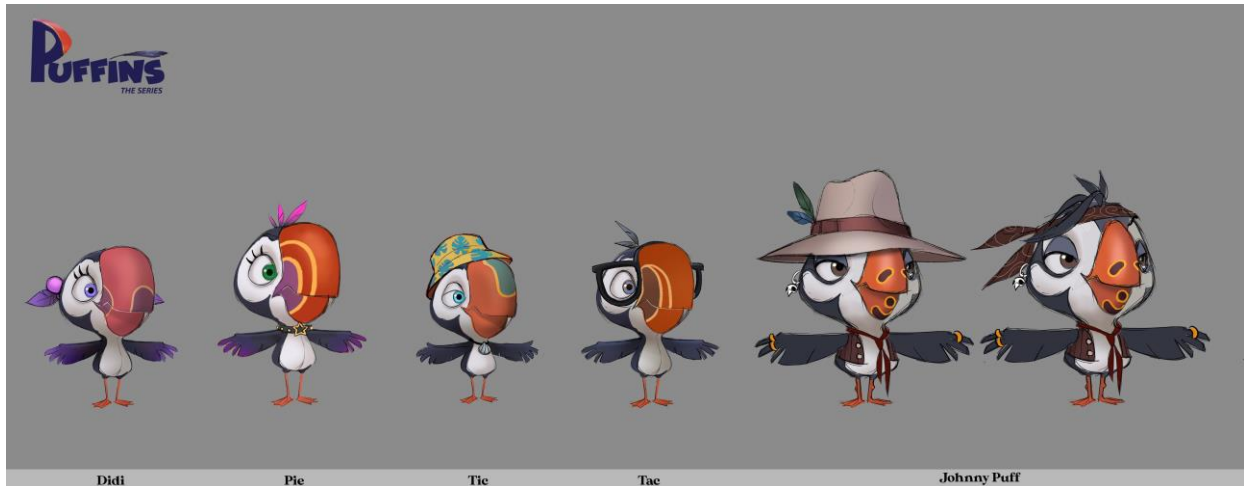
During the period, 30 episodes were produced and delivered, resulting in the recognition of revenues for a total of € 33,406 thousand (including "government grants").

The first three "Collections" (groupings of 4 episodes per Collection) began to be distributed on the Apple TV and Amazon Prime platforms in early September, for use by audiences in around 80 countries.

In particular, the distribution is for Apple TV: 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 Czechia 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 Zimbabwe; while for Amazon Prime the affected territories are the USA, UK, Japan and Germany.

The debut on Apple TV was significant, where the first season of "Arctic Friends" ranks second in the ranking in Italy and first in the family ranking.

Puffins



"Puffins the series" is an animated web series, a spin off of the family animated film "Arctic Justice". The episodes, lasting about 5 minutes each, will have as main subjects the "puffins", literally "puffins", nice and mischievous creatures of "Arctic Friends".

The existing contract was signed at the end of 2019 between ShortArt Media LLC and Iervolino Entertainment and has a multi-year duration and provides for revenues of US \$ 600,000 per episode (possibly revisable on the basis of possible updates to production costs) in addition to further revenues based on the economic results of the series and the total exploitation in Italy and the Middle East. ShortArt Media LLC has the exploitation of the rights AVOD, TVOD (only one year from airing). To these amounts are added those deriving from the recognition of government grants".

In June 2020, an agreement was signed for the hiring of 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 participate in promotional activities, advertising, interviews and press junket requested by Iervolino Entertainment, approximately between 31 October and 31 December 2020.

The Company will also be able to carry out merchandising activities around the character of Johnny Puff, who will preserve the actor's unique characteristics, and introduce them to the market internationally.

In the first half of 2020, 30 episodes were produced and delivered to the customer in "animatic" mode, resulting in the recording of revenues for a total of 13,654 thousand euros (including "government grants").

Waiting for the Barbarians

"Waiting for the Barbarians," stars 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 new Batman interpreter), Gana Bayarsaikhan (Ex Machina) and the internationally renowned Italian actress Greta Scacchi (The girl in the fog). The film was shot in Morocco and in the province of Rome.

The film is based on the novel of the same name by the Nobel Prize for Literature in 2003 J.M. Coetzee, directed by Oscar nominee Ciro Guerra and starring Oscar winner Mark Rylance, Johnny Depp and the star of the Twilight saga, Robert Pattinson.

The film tells the crisis of conscience of the "Magistrate" - a faithful servant of the Empire who works in a small frontier town, who does his best to ignore an inevitable war with the "barbarians". After witnessing the cruel and unfair treatment of prisoners of war, he reconsiders his role in the regime and carries out a quixotic act of rebellion.



During the first half of the year, some "backend" rights of the film delivered to the customer in 2019 were transferred to third parties. This resulted in the recognition of revenues for a total of € 5,474 thousand (including "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. At the start of programming, 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.

The release in Italian cinemas is scheduled for 24 September 2020.

Together Now

In August 2019, a new commercial contract was concluded in Los Angeles, for a total value of € 9,800 thousand, with Hadid Design and Entertainment LLC ("Hadid D&E") for the sale of the distribution rights of the film with the provisional title "Together Now" and extra content.

TOGETHER NOW



MARGHERITA BUY



EVA LONGORIA

"Together Now", an all-female project produced by Iervolino Entertainment, is a film made up of 5 short contents lasting 15 minutes each whose main theme is a story based on animated scenes. The contents, directed by 5 female directors from different parts of the world, encompass various genres, ranging from drama to comedy, up to docudrama and animation, and starring internationally renowned actresses.

The contract guarantees Iervolino Entertainment a guaranteed non-revocable minimum, while Hadid D&E holds the rights to sell the film for the worldwide distribution of the work, with the exception of Italy, San Marino and Vatican City, for a duration of 18 years. The contract guarantees the delivery, not only of the audiovisual product itself, but also the delivery of extra content for a total of 600 minutes.

The contract resulted in the entry of revenues relating to the production of animation content for the year 2019. During the first half of 2020, two of the five segments of the film, "Unspoken" and

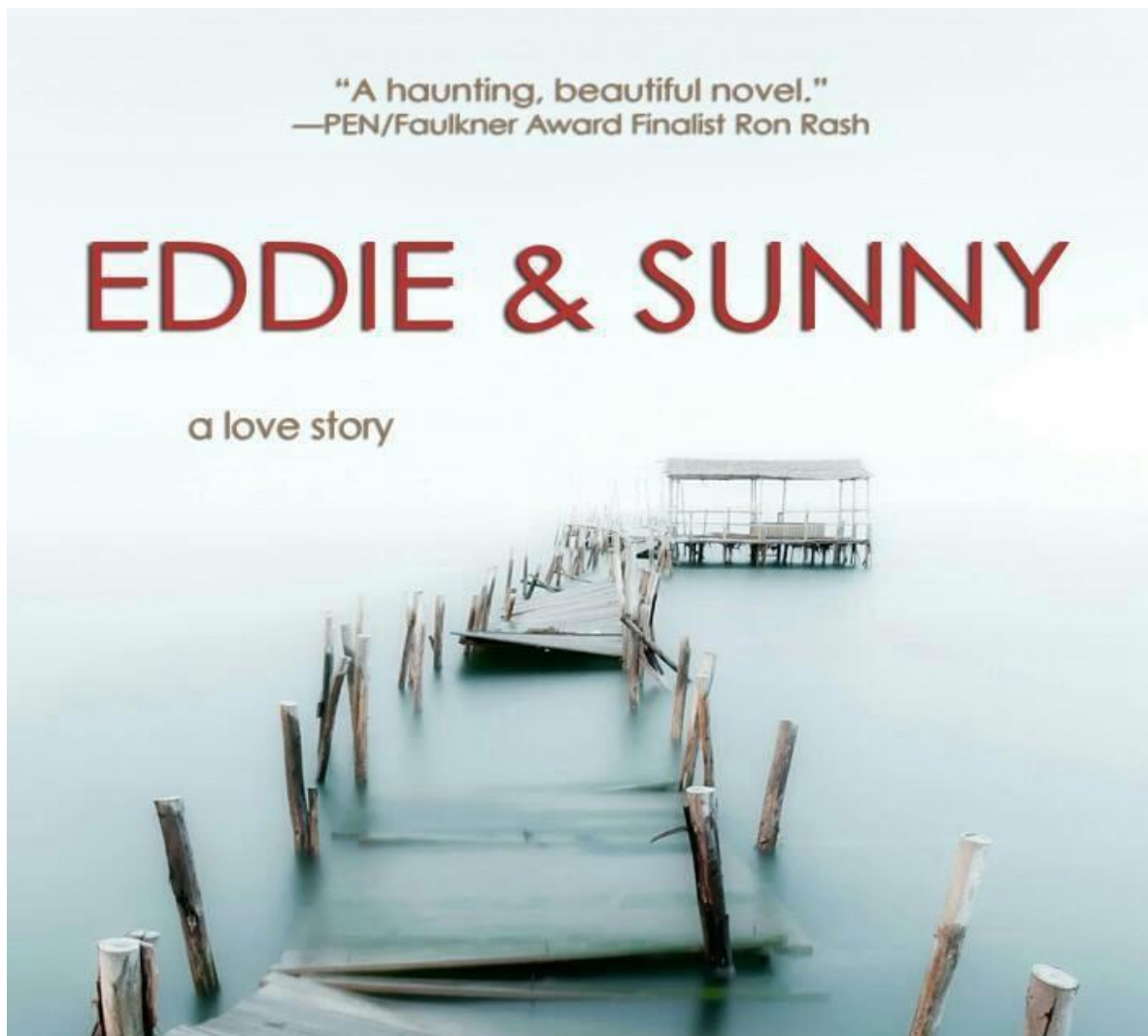
"Lagonegro", were completed and delivered to the client, recording revenues for a total of € 1,359 thousand (including "government grants")

"Unspoken", whose shooting took place in December 2019 in Rome and its surroundings, is directed by Maria Sole Tognazzi and starring Margherita Buy, while "Lagonegro", whose shooting took place in March 2020 near Anguillara Sabazia is directed by the award-winning Argentine director Lucia Puenzo and played by Eva Longoria.

The additional three content for the film's completion will be shot and delivered in the last quarter of 2020.

Eddie & Sunny

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



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

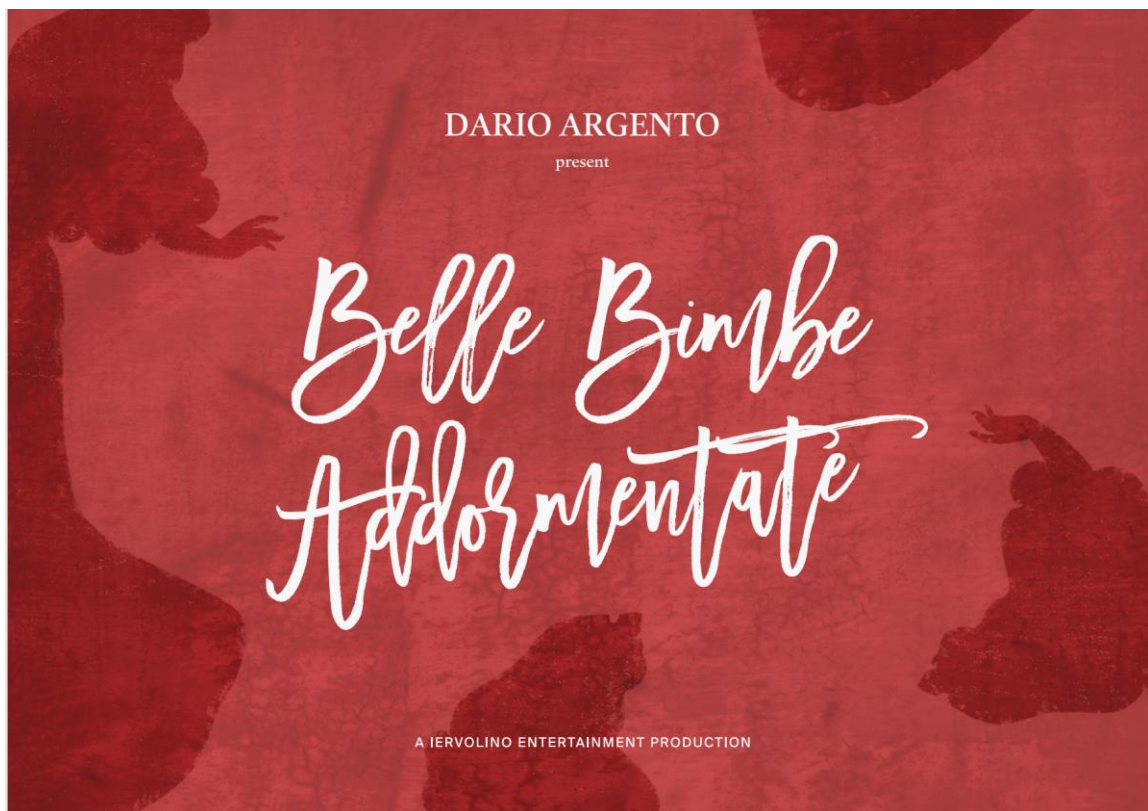
The contract provides for revenues of at least \$ 4.6 million for Iervolino Entertainment, as well as shares in the film's worldwide income. The rights of exploitation in Italy remain, however, the property of Iervolino Entertainment.

During the semester, shooting began on the film directed by Desmond Devenish and starring US actor Gabriel Luna (known for his role in Terminator - Dark Destiny).

Filming resumed in the second half of September in and around Rome and then continued in Guatemala. Delivery to the customer is expected by the end of the year.

Beautiful Sleeping Babes

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



After finalizing the writing part of the treatment of the series and the scripts of the individual episodes, the casting and location research phase was started.

The series will be shot in English for the national and international market. Shooting is scheduled for next year.

Post-production activities

Post production is the activity of the subsidiary Arte Video S.r.l., official encoding house of Apple iTunes, GooglePlay, Sony Entertainment, Amazon, Microsoft and Rakuten. In the first half of 2020, the company mainly supported film distribution companies with the launch of the films, which due to Covid did not come out in theaters, but on the main digital platforms, thus allowing the public to view them in digital preview. The DVD, BluRay and Digital Cinema Package productions were made in smaller quantities, giving space for staff to dedicate themselves to the VOD service and post production of the Arctic Friends and Puffins series.

Internationalization: development of activities in the Serbian Republic

In June 2020, Iervolino Entertainment signed a Memorandum of Understanding ("MoU") with the Serbian Republic for the production of web content in short content format through the newly formed wholly owned subsidiary of Serbian law Iervolino Studios d.o.o. with operational offices in Belgrade and Novi Sad.

Iervolino Studios will collaborate with Serbian national companies with the aim of creating a significant production capacity of short content animated series (duration of about 5 minutes), which are rapidly growing in the audiovisual sector worldwide, exploiting Intellectual Properties ("IP") already in possession of IE.

As part of this agreement, Iervolino Studios has signed a MoU with Archangel Digital Studios, the Serbian company of the Serbian actor Milos Bikovich, whose core business is the production of animated content, for the licensing of the copyrights of animated characters from the animated film entitled "Arctic Justice", which will subsequently be governed by ad-hoc contracts signed between the parties and referring to the individual works.

In this context, on 7 September 2020 the signing of the first contracts for the licensing of the copyright of the web series "Puffins" was announced. In detail, the agreements provide that Archangel Digital Studios obtains the right for the exploitation of the copyright of the animated characters of the "Puffins" series (the "Intellectual Properties") and for the production process (the "Pipeline") of the web- animated series by IE. The Iervolino Entertainment Group, for its part, will invest in the project and, through the Serbian subsidiary Iervolino Studios, will supply the production of the new episodes of the series called "Puffins: impossible".

The signed contracts relate to the first 18 episodes and result in revenues for the Iervolino Entertainment Group of approximately € 5.9 million which will be realized partly in the current year and partly in the first months of the following year. The related productions have already begun.

Closure of the Tatatu ADV business unit

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

Extraordinary finance operations

Completion of the acquisition of the stake in Arte Video S.r.l.

The completion of the full acquisition of the stake in Arte Video S.r.l. took place on January 15, 2020. The nominal share of € 4,900, representing 49% of the share capital of Arte Video, was acquired through a capital increase reserved for the shareholders of Arte Video of n. 30,000 shares which they subscribed by conferring the remaining 49% of the share capital of Arte Video.

Therefore, the new composition of the share capital at 30 June 2020 is as follows:

	Actual Share Capital		
	Euros	Number of Shares	Unit Nominal Value
Total			
of which:	1,336,001	33,400,029	0.040
<i>Ordinary Shares</i>	<i>896,001</i>	<i>22,400,029</i>	0.040
<i>Multiple Voting shares</i>	<i>440,000</i>	<i>11,000,000</i>	0.040

Acquisition of the R.E.D. Carpet S.r.l.

On 11 June 2020 an agreement was signed for the total acquisition of R.E.D. Carpet S.r.l. (hereinafter Red Carpet), a company with legal and operational headquarters in Rome, a national reference point for the selection of VIP castings for the main Italian TV shows, as well as active in the creation of video content designed for television and the web.

The total value of the transaction was € 300,000.

With the integration of Red Carpet, Iervolino Entertainment expands its range of services offered in the "celebrity management" division and in the production of video content.

Rationale for the acquisition:

The main reasons behind the operation are the following:

- ✓ expand the offer of Iervolino Entertainment, in particular in the context of the artistic management of celebrities;
- ✓ increase the production offer of formats intended for web or TV platforms tailored for companies, inspired by their brand, according to the standard of the main television broadcasters.

Summary of the operation

The acquisition of 100% of Red Carpet took place through the signing of the investment agreement with

the shareholders and directors. The conclusion of the operation took place in two distinct phases:

- ✓ The first - completed on 11 June 2020 - relating to the acquisition of a nominal share of € 5,100, representing 51% of the share capital of Red Carpet, to be acquired for a cash consideration of € 153,000;
- ✓ The second - completed on 16 July 2020 - relating to the nominal share of € 4,900, representing 49% of the share capital of Red Carpet, to be acquired through a capital increase reserved for Red Carpet shareholders of n. 26,250 shares. The shares were issued on 11 September 2020 at the unit price of € 5.6 for a total value of € 147,000 (of which € 1,050 as an increase in the share capital and € 145,950 as an increase in the share premium reserve) and subject to a 36-month lock-up.

The current directors of Red Carpet remained in the company to continue operating activities.

Red Carpet Activities

Red Carpet operates in communication and entertainment through three business lines: (i) celebrity management, (ii) advertising, communication and marketing achieved through cross-media "brand integration" projects and (iii) the creation of original audiovisual content.

Red Carpet today boasts more than 3,000 guest participations in more than 1,000 TV programs and events, over 450 online and offline advertising campaigns and more than 50 productions of original content, numbers that make it the undisputed leader in Italy in the management of national celebrities. and international, cinema, music and sport.

- i) **Celebrity management** is the main business line of Red Carpet, carried out through the management of guest stars with the major television networks (RTI Mediaset, RAI, Sky, Discovery, Amazon Prime) and with numerous Italian and foreign production companies (Fascino, Banijay, Fremantle, Stand by me, L'Officina, Friends and Partners) bringing in the celebrities most suited to their format and in line with the target audience.

Cristiano Ronaldo, David Beckham, Julia Roberts, Seann Penn, Robert De Niro, Johnny Depp are among the many guests that Red Carpet has managed for the program "There is Mail for You" produced by Maria De Filippi; John McEnroe, Michael Phelps, Serena Williams, Diego Armando Maradona, Lewis Hamilton for "Che tempo che fa" produced by Fabio Fazio; Al Pacino, Michael Douglas, Dustin Hoffman, Sharon Stone, Bradley Cooper and many others for "Amici"; Keanu Reeves, Charlize Theron super guests at the Sanremo Festival; Uma Thurman and Diane Keaton at the David Di Donatello. These are some of the transactions concluded by Red Carpet through the multi-year collaboration relationship with the most important international star system agencies such as CAA, WME, Paradigm , ICM, Endeavor, UTA, Brilstein-Gray and Media Talent Group.

- ii) The second line of business is **the creation of cross-media "brand integration" projects** built around celebrities and developed in all their phases and aspects: from concept conception to creativity, from production of original content to monitoring, from contracts to the final report. Many projects have been carried out for important clients such as Ferrero, EA Sports, Google, L'Oreal, Dacia, Kappa, Warner Bros, Sony, Danone, Netflix, in synergy with major media centers such as GroupM, Omnicom Media Group, Dentsu Aegis Media.
- iii) The third business line relates to the **creation of original audiovisual productions**, conceived and developed with TV formats, docufilms, series and branded content for the main broadcasters, in synergy with companies such as De Agostini Group, Amazon Prime Video,

Netflix, Discovery , Sky, RAI and Mediaset.

The projects are followed at all stages: from the development of the idea, to the involvement of international sports champions and stars, up to the final realization that can be declined in the digital world and with important support in terms of communication: ADV, print and web.

Among the produced productions we find "Campi di Battaglia", a series of 6 monographic episodes on great sports champions (Martin Castrogiovanni, Gennaro Ivan Gattuso, Aldo Montano, Marco Materazzi, Flavia Pennetta and Ivan Zaytsev) now available on Amazon Prime Video; the four-part documentary "Journey to the Land of Rischiatutto", a portrait of Italy today told by the prestigious Italian cinema company, Daniele Luchetti, broadcast on Rai3; "Italian Pro Surfer", the first program on the world of surfing, conceived and produced for Mediaset; the docu-film "Sakara Back To Brazil" for Discovery, which followed the world famous champion Alessio Sakara on his trip to Rio de Janeiro to investigate the origins of Mixed Martial Arts, whose success was followed by the series "Sakara - The Fighter ". Also for Discovery is "Real Time in Sanremo with Enzo", in which Enzo Miccio, the most famous wedding planner in Italy, lands in Sanremo to comment on what happens in the most loved singing festival by Italians.

5. Summary data

The summary data illustrated in this report on operations refer to the condensed interim consolidated financial statements of the IE Group at 3 June 2020 prepared in accordance with the international accounting standards 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 financial statements and related explanatory notes of the condensed interim consolidated financial statements at 3 June 2020.

The economic performance of the consolidated management of the period is shown below:

	30/06/2020	30/06/2019*	Change	Change%
Revenues	55,488,164	9,642,177	45,845,987	>100%
Operating Costs	1,561,660	831,886	729,774	88%
Personnel costs	308,823	161,660	147,163	91%
EBITDA	53,617,681	8,648,631	44,969,050	>100%
Amortisation, depreciation and write-downs	41,617,023	5,725,424	35,891,599	>100%
EBIT	12,000,658	2,923,207	9,077,451	>100%
Net financial charges	400,886	14,754	386,132	>100%
Pre-tax profit	11,599,772	2,937,961	8,661,811	>100%
Taxes	(2,010,751)	(264,529)	(1,746,222)	<100%
Net profit for the period	9,589,021	2,673,432	6,915,589	>100%

*Note: the financial statements at 30 June 2020 are the first consolidated financial statements prepared by the Group; the comparative data are the data of Iervolino Entertainment S.p.A.: the weight of the other companies in the Group on revenues and on the EBIT are equal to 1% and 3% respectively.

The reclassified balance sheet is shown below:

	30/06/2020	31/12/2019*	30/06/2019*
Assets			
Non-current assets			
Intangible assets:	59,555,290	49,218,968	33,599,250
Completed productions	35,108,660	31,460,632	11,503,567
Productions in progress	7,996,496	4,941,559	19,653,995
Other rights	16,069,168	12,816,777	2,441,688
Other intangible assets	56,082	-	-
Trademark	120,260	-	-
Goodwill	204,624	-	-
PP&E	117,729	5,791	6,255
Deferred tax assets	4,047,971	3,778,177	1,365,629
Investments	-	153,000	-
Other non-current assets	37,776	17,482	3,879
Total non-current assets	63,758,766	53,173,418	34,975,013
Current assets			
Trade receivables	28,796,019	20,200,223	5,273,763
Tax receivables	19,194,789	21,608,272	15,841,918
Current financial assets	4,136,974	-	-
Other current assets	358,500	150,775	809,447
Cash and cash equivalents	2,178,945	7,951,856	521,422
Total current assets	54,665,227	49,911,126	22,446,550
Total assets	118,423,994	103,084,544	57,421,563
	30/06/2020	31/12/2019	30/06/2019
Shareholders' equity			
Share capital	1,336,001	1,334,801	1,120,000
Legal reserve	496,996	496,996	517,349
Other reserves	16,408,361	16,262,561	1,731,633
Profits (losses) carried forward	29,555,513	9,306,384	7,515,258
Profit (loss) for the year	9,589,021	20,249,129	2,673,432
Total shareholders' equity	57,385,892	47,649,871	13,557,672
Non-current liabilities			
Employee benefits	111,886	36,318	24,760
Provisions	300,000	300,000	1,517,583
Non-current financial liabilities	5,063,702	1,048,104	-

Total non-current liabilities	5,475,588	1,384,423	1,542,343
Current liabilities			
Current financial liabilities	6,079,743	7,452,675	7,889,540
Trade payables	36,289,408	26,432,482	17,375,526
Tax payables	3,220,814	2,246,186	2,515,929
Passività Contrattuali	4,156,256	10,558,438	6,060,062
Other current liabilities	5,816,293	7,360,468	8,480,491
Total current liabilities	55,562,514	54,050,249	42,321,547
Total liabilities	118,423,994	103,084,544	57,421,562

*Note: the financial statements at 30 June 2020 are the first consolidated financial statements prepared by the Group; the comparative data are the data of Iervolino Entertainment S.p.A.: the weight of the other companies in the Group on revenues and on the EBIT are equal to 1% and 3% respectively.

The main balance sheet and financial ratios are outlined below:

Main financial indicators	30/06/2020	31/12/2019*	30/06/2019*
Intangible fixed assets	59,555,290	49,218,968	33,599,250
Tangible fixed assets	117,729	5,791	6,255
Other fixed assets/liabilities	4,085,747	3,948,659	1,369,508
Fixed assets	63,758,766	53,173,418	34,975,013
Receivables due from customers	28,796,019	20,200,223	5,273,763
Payables to suppliers	(36,289,408)	(26,432,482)	(17,375,526)
Other current assets/(liabilities)	6,359,926	1,593,956	(405,117)
NET WORKING CAPITAL (NWC)	(1,133,463)	(4,638,304)	(12,506,880)
Employee severance indemnity	(111,886)	(36,320)	(24,760)
Other non-current liabilities	(300,000)	(300,000)	-
NET INVESTED CAPITAL (NIC)	62,213,418	48,198,795	22,443,373
Shareholder's equity	57,385,892	47,649,871	13,557,672
Cash and cash equivalents	(2,178,945)	(7,951,856)	(521,422)
Financial Assets	(4,136,974)	-	-
Financial Liabilities	11,143,445	8,500,780	9,407,123
Net Financial Position	4,827,526	548,924	8,885,701
Financing sources	62,213,418	48,198,795	22,443,373

*Note: the financial statements at 30 June 2020 are the first consolidated financial statements prepared by the Group; the comparative data are the data of Iervolino Entertainment S.p.A.: the weight of the other companies in the Group on revenues and on the EBIT are equal to 1% and 3% respectively.

The main Group Cash Flow Statements indicators are outlined below:

30/06/2020 30/06/2019*

A - Net flow generated/(used) from operating activities	16.784.528	(2.697.648)
B - Net flow generated/(used) by investment activities	(21.208.294)	(264.999)
C - Net flow generated/(used) from financing activities	(1.622.759)	3.332.776
D - Total cash flow generated/(used) in the period (A + B + C)	(6.046.524)	370.128
E - Cash and cash equivalents at the beginning of the period	8.225.469	151.294
F - Cash and cash equivalents at the end of the period (D + E)	2.178.945	521.422

*Note: the financial statements at 30 June 2020 are the first consolidated financial statements prepared by the Group; the comparative data are the data of Iervolino Entertainment S.p.A. ...: the weight of the other companies of the Group on the total assets at 31 December 2020 is equal to 3% and on the net result at 30 June 2020 is equal to 2%.

Note: In accordance with IAS 7, the net flow generated / (absorbed) by investing activities includes only investments paid in the period.

The details of the Group's NFP are shown below:

Net financial Position	30/06/2020	31/12/2019*	30/06/2019*
Cash and cash equivalents	(2,178,945)	(7,951,856)	(521,422)
Liquidity	(2,178,945)	(7,951,856)	(521,422)
Financial Assets	(4,136,974)	-	-
Bank Loans	11,027,945	8,269,780	9,407,123
Financial debts related to corporate bond	115,500	231,000	-
Net Financial indebtedness	7,006,471	8,500,780	9,407,123
NFP (debit side)	4,827,526	548,924	8,885,701

* Note: the financial statements at 30 June 2020 are the first consolidated financial statements prepared by the Group; the comparative data are the data of Iervolino Entertainment S.p.A. ...: the weight of the other companies of the Group on the total assets at 31 December 2020 is equal to 3%.

Management trend and economic and financial results

The six-month period to 30 June 2020 shows a Group net profit of € 9,589 thousand which shows an increase of 259% compared to that of the same period of 2019 of the Parent Company alone of € 2,673 thousand when the Company was still in the phase of start-up.

From a management point of view, the year closed with a Group EBIT of € 12,001 thousand which shows an increase of 311% compared to that of the same period of 2019 of € 2,923 thousand.

The result derives from the revenues from the sale of the rights of film works less the related cost of sales represented, essentially, by the share pertaining to the year of the amortization of intangible assets (audiovisual works) equal to € 41,617 thousand, the incidence of overhead costs, equal to Euro 1,870 thousand..

From a management point of view, the EBIT of the first half of 2020 represents 22% of total revenues equal to € 55,488 thousand.

Revenues from the sale of rights and "government grants" recognized on an accruals basis with regard to the productions to which they refer relate to the productions Waiting For The Barbarians (€ 5,474 thousand), Arctic Friends (€ 33,406 thousand), Puffins (€ 13,654 thousand)) and Together Now (euro 1,359 thousand).

Film and web series productions represent respectively 13% and 87% of revenues.

From an equity-financial point of view, the Iervolino Entertainment Group has a net invested capital represented mainly by intangible assets (film works, intellectual properties and other rights) equal to Euro 59,555 thousand; other fixed assets are equal to € 4,203 thousand while the net working capital is negative for € 1,133 thousand.

The resulting net invested capital is equal to € 62,213 thousand, increased by € 14,014 thousand compared to the previous balance at 31 December 2019 of € 48,199 thousand of the Parent Company alone and is financed by the net debt position of € 4,828 thousand and by the net equity equal to to € 57,385 thousand.

The net working capital of the Group is negative for € 1,133 thousand, a reduction compared to the balance of the previous year equal to € 4,638 thousand.

The working capital mainly includes cinema tax credit for film and research & development productions whose monetization, through the use of other taxes in compensation or the transfer to authorized intermediaries, will take place starting from the following year.

The NFP as at 30 June 2020 shows a debit balance of € 4,828 thousand, a deterioration of € 4,279 thousand compared to the balance at December 31, 2019. In this regard, we point out the following main financial and investment transactions characterizing the half year:

- i. The repayment of the loan relating to the Waiting For The Barbarians production for € 6.2 million;
- ii. The sale without recourse of 2018 and 2019 VAT credits for € 1.6 million;
- iii. The taking out of a medium-term loan for € 4.1 million;
- iv. A financing transaction and subsequent sale of the cinema tax credit for € 4.1 million;
- v. Improvement in working capital of € 3.5 million to support investments in audiovisual works increased by € 10.6 million.

From the point of view of cash flows, cash and cash equivalents at 30 June 2020 show a balance of € 2,179 thousand, down by € 6,046 compared to the balance at the beginning of the period of € 8,225 thousand.

This change consists of the flows absorbed by the financing activities equal to Euro 1,622 thousand and by those absorbed by the investment activities for Euro 21,208 thousand, higher than the flows generated by the operating activities of Euro 16,784 thousand.

6. Related party transactions

The Group's equity and economic transactions with related parties are shown below:

	Trade Receivables	Other Assets	Trade Payables	Other liabilities	Revenues	Costs
	€/000	€/000	€/000	€/000	€/000	€/000
TATATU Enterprises Ltd	1,731	-	-	-	1,090	-
Total transactions with related parties	1,731	-	-	-	1,090	-
Total balance sheet items	28,796	89,628	36,289	82,134	55,488	43,487
Weight on balance sheet items	6%	0%	0%	0%	2%	0%

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

7. Human Resources

The IE Group has a lean structure having 22 permanent employees in addition to some contracted resources. Furthermore, some professionals have an ongoing relationship with the IE Group and, in some cases, also have specific responsibilities for the purposes of Law 231/2001..

As a new collaboration with Antonino Antonucci Ferrara, he assumed responsibility for the TV series / Fiction division of Iervolino Entertainment for the research and editorial development of serial audiovisual projects.

We remind you that, when the production of an audiovisual work begins, a considerable number of workers are hired with fixed-term contracts until its conclusion.

The IE Group will continue this successful business model for the future both in terms of profitability and risk management.

8. Research and development activities

The perimeter of the concept of Research and Development (hereinafter R&D) is defined with the criteria established in the 2015 Frascati Manual of the OECD “Guidelines for Collecting and Reporting Data on Research and Experimental Development”, referenced in point 75 of the Communication of the European Commission “Regulation of State aid in favour of research, development and innovation” (2014/C 198/01), legal source of art. 3 of Decree Law no. 145 of 23 December 2013. In order to be considered R&D, the activities must fall under those listed in the regulation, which reproduces the “Definitions”, contained in paragraph 1.3, point 15, of the aforementioned “Regulation of State aid in favour of research, development and innovation”, relating respectively, to “fundamental research” (letter m), “industrial research” (letter q) and “experimental development” (letter j).

These descriptions are, likewise, in accordance with the definition of R&D set out in the reference accounting standards (IAS/IFRS).

In this regard, and in particular in the so-called “industrial research” domain, i.e. research to be used to fine-tune new or innovative processes, Iervolino Entertainment launched a Research & Development project in 2018. Starting from the idea of innovating the animation production process and finishing with an improved production of short animations in terms of both quality and quantity (production costs), Iervolino Entertainment commissioned a project to an external provider, however under its supervision, for the study, conception and research of new and innovative production processes and methods (pipeline) for the production of short animation content with a duration of 5 minutes, each one intended

for use on digital platforms.

The entire research project is substantiated in 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 social media usage habits of the new generations who favor the consumption of video content through web and social channels such as Instagram, Facebook, Youtube etc., but which at the same time require products of high quality. The research activity carried out during the first half of the 2020 financial year has restarted from the results obtained in the 2019 financial year.

The contents of the project, divided into several phases, can be identified in the conception, study, development and design of new processes, new methodologies and production systems aimed at technological advancement and at identifying, studying and defining procedures that allow a " high productivity to be able to offer the market products capable of optimizing the company's production cycle. This will make it possible to promptly intervene, if necessary, on the uncertainty of the result, the precise analysis of the reduction of cycle time, the reduction of production costs, while maintaining a single level of quality in digital production, the main factor of Iervolino Entertainment, which makes it unique on an international level in the development of this innovative project.

The main reason for this Research & Development path is to be found in the constant company need to keep pace 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 in reference to the production activity, through the introduction of new and innovative process methodologies aimed at identifying, studying and defining automated procedures that allow high productivity, reducing production times and the cost per minute and maintaining high quality standards of the final product in order to offer the market products that are able to satisfy increasingly the demands of consumers.

Reference is made below to experimental activities planned and conducted as part of the overall project, such as:

- analysis, study, design, testing and implementation of possible developments in production methodologies (pipeline);
- study and development of interventions aimed at improving the production cycle;
- study of the correct working and production times

In general, the research and development activities involve the internal 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 SPC, specialized in planned research and critical investigations aimed at acquiring new knowledge to be used in the development of new products and / or in their improvement, in existing processes or services or the creation of complex system components, necessary for industrial research and the development of new products. The company, with the consent and supervision of IE, set up a JV with the company Assemblage Entertainment Private Ltd to carry out the research and development commissioned by IE. Specifically, the complete activity is carried out in the following phases:

RESEARCH, DEFINITION OF THE CONCEPT AND FEASIBILITY STUDY

- Analysis of the benefit of the new product (pipeline), taking into consideration the evaluations

- of the different functions and of production;
- Identification of the documentation in support of creation of the product (procedures, methods, cycles, designs, acceptability criteria);
- Analysis of the requirements of the digital model;
- Implementation, analysis and verification of the studies carried out.

RESEARCH, DEVELOPMENT AND DESIGN ACTIVITIES

- Use of internal experience and expertise and of external consultants;
- Presentation of the project to the marketing/management department and subsequent proposal of modifications by technicians;
- Planning of experimental activities of the design of short content tests and evaluation of consistency/inconsistency with the objectives;
- Preparation of the first episodes for defining the technical/functional characteristics, taking into account the feasibility in the implementation phase;
- Analysis and research of innovative solutions for the implementation of the subsequent new test episode;
- Performance of the preliminary checks (quality of images, production times, production capacities and cost checks, etc.);
- Final verification and validation of the design.

DEVELOPMENT AND EXPERIMENTATION OF TEST EPISODES

- Planning of activities regarding programming and implementation of production programmes;
- Monitoring of the production phases;
- Evaluation of the aesthetic and functional characteristics of the test sample in order to ensure the required quality in all phases of the process;
- Creation of the first test episodes;
- Checking of the first test episodes by the company department responsible;
- Review and, if necessary, modifications to the first test episodes, with subsequent redesign, revision of the project and creation of new versions;
- Recording and production of the first episode to be proposed to the market.

In detail, as regards the current year, during the first half of the year, after having conceived and developed in 2019 the production process called Pipeline 0.2 with the implementation of the new software, A.T.O.M. (Animation Tracking Operations and Management), the R&D project encountered operational difficulties as the measures of work restrictions resulting from the explosion of the Covid-19 pandemic forced a new method of working in a smart-working environment.

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

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

Below are the activities carried out for the implementation of the software / hardware:

Software:

Teradici & Nomachine: The production team deployed 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 the FX, SHF, Lighting and Composting activities, while, Nomachine for the other activities.

Ase-Sync: During the initial blocking phase our pipeline group developed a new tool for synchronizing data between all users, thus allowing users to work on their stations remotely. This tool synchronizes project data securely between our internal memory and the user's workstation. This tool was developed internally with the aim of optimizing the organizational process.

WFH(Work From Home) Asset and Shot Publish: A completely new publishing tool has been 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 biggest issues with Teradici software was operating system compatibility. As a company we are based 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 as FX, SHF, Lighting and Composting had to migrate to Centos7 before distribution. As part of our ongoing R&D efforts and with future goals on the horizon, the codes were built considering future OS upgrades and thus the implementation of the new OS for some departments was seamless.

Hardware and network:

New firewall: A redesigned firewall has been deployed and the internal network has been upgraded to support over 350 network users for remote and secure access to workstations..

Increased Bandwidth: To enable the transfer of such a large volume of data from remote workers to a studio, the bandwidth has been increased from the original 150 Mbps to the current 500 Mbps for smoother connectivity among all.

New Isilon Storage: In efforts to protect data while migrating many resources and scene files across the network, the new Isilon Storage Server was purchased which provides an additional 400 TB of data. The new memory also delivered faster performance than previous storage solutions.

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

9. Information on the main risks and uncertainties

Management of financial risks and of the change in cash flows

Liquidity risk

Group IE's current operations generated sufficient cash flows to cover the requirements absorbed by

both current operations, investments, and the regular payment of suppliers. Having implemented an effective economic-financial planning system, Group IE constantly monitors management flows in order to finance working capital and oversee the conversion to cash of the EBIT realised, which takes place a few months after the delivery of the film and appropriately financed and guaranteed by/to the banking system.

Rischio di cambio

Exchange rate risk

The Group is subject to limited exposure to financial risks connected with fluctuations in exchange rates, with reference to the operations carried out with non-Eurozone countries. However, it should be noted that almost all receivables and payables are in the same foreign currency (US Dollar).

The Group has not entered into transactions to hedge exchange rate risk, which is significantly reduced through the offsetting of the costs incurred in the same currency as the revenues

Rischio di tasso di interesse

The group has never entered into derivative contracts to hedge risks connected to fluctuations in interest rates, given the marginal exposure to this risk.

Market risk, credit risk and price risk

Risks connected to competition and the cyclical nature of the sector

An element that is characterising the entertainment market increasingly more is the growing importance of the contents offered, which are ever more differentiated based on transmission channels.

The Group is constantly on the look-out for new formats and contents to be created independently or through service contracts and always remaining the owner of the reference Intellectual Property. In addition, the productions are always financed on the basis of the so-called "Minimum guarantee", with relationships with international distributors which always meet the needs of the wider public which can then generate additional turnover through the merchandising channel.

Credit risk

The Group does not have a significant concentration of credit risk, and has the appropriate procedures in place, such as verification of debtor solvency through an analysis of their market reliability, in order to minimise credit risk.

10.Subsequent and significant events after 30 June 2020

After 30 June 2020, there were no events or transactions that could have had an impact on the condensed interim consolidated financial statements in question.

In addition to the aforementioned (i) completion of the acquisition of R.E.D. Carpet Srl, and (ii) the start of production activities in the Serbian republic, the main event following the end of the period concerns the: issue of a bond loan of 8 million euros with a 7-year maturity, aimed at supporting the plan of industrial development.

The parent company Iervolino Entertainment, on 15 July 2020 placed a non-convertible, unsubordinated and unsecured bond loan, for a principal amount of € 8,000,000.00 (eight million / 00), fully subscribed by Intesa Sanpaolo S.p.A.

The bond issue, completed by virtue of the contract signed between the issuing company itself, Intesa Sanpaolo SpA, as the initial subscriber of the Notes, and Banca IMI SpA, as the Arranger of the entire Transaction, took place through 80 nominal of Euro 100,000.00 (one hundred thousand / 00) each.

This unsecured security is fully subscribed by Intesa Sanpaolo itself as part of the broader Basket Bond operation launched in partnership with ELITE, the private market of integrated services and multi-stakeholder network, of the London Stock Exchange Group, at the center of global finance . A network of successful entrepreneurs, professionals and international investors who have a common goal: to invest in the growth of the best companies in the world.

The structuring of the Transaction was entrusted to Banca IMI S.p.A., investment bank of the Intesa Sanpaolo Group. The bonds fully subscribed by Intesa Sanpaolo S.p.A. they will be subject to a subsequent securitization intended for institutional investors. The repayment profile of the bond loan is of the amortising type, according to an amortization plan structured over 7 years including 2 of pre-amortization. The interest on the bonds, equal to 4.07% on an annual basis, will be paid every six months and in arrears.

The securities, which will not be subject to listing, were issued in exemption from the obligation to publish an offer prospectus, pursuant to and for the purposes of art. 1, paragraph 4, of Regulation (EU) 2017/1129 and art. 100 of the Consolidated Law on Finance. The Regulation of the bond loan provides, in particular, specific covenants of an economic-financial nature, relating to compliance with predefined threshold values in terms of Net Financial Position / EBIT, Net Financial Position / Equity and EBIT / Gross Interest.

Finally, it should be noted that in July, in order to strengthen and improve its control and corporate governance system, the IE at the conclusion of the project aimed at adapting the risk prevention and management system inspired by both the provisions of the .lgs. 231/2001 and the best practices in these matters, has adopted Model 231 and the Code of Ethics.

The single-person Supervisory Body has been assigned the task of supervising the operation and compliance with the Model and the Code of Ethics.

11. Business outlook

Company development will continue on the basis of the production and development guidelines set out in the industrial plan.

During the second half of 2020 as regards the episodes of the web series Arctic Friends and Puffins, in light of the positive feedback on the modality and operational capacity in smart-working, the production

plan in place, the planned productions and deliveries are confirmed .

In addition, the operational activities of Iervolino Studios d.o.o. will begin. (Serbia) for the production of episodes relating to the Puffins: Impossible web-series.

The IE Group will implement the guidelines of the framework agreement with Paradox Studios LLC, an independent film production company specializing in international co-productions for the production of five film works signed at the end of 2019. Iervolino Entertainment will handle the production of each film, while Paradox Studios will acquire the global distribution rights and exploitation rights of the individual works. The agreement provides that every detail relating to the individual films will be the subject of ad-hoc contracts, which will be signed between the parties from time to time. The films will be qualified of Italian nationality.

The new project with director Dario Argento for the production of a TV series will also continue. Belonging to the Thriller genre, the series will be divided into four episodes lasting fifty minutes each.

The completion of the further episodes of the film Together Now is also expected during the 2020 financial year.

At the date of approval of this document, the preliminary data relating to the nine-month period to 30 September, show revenues of approximately Euro 78 million (47 recognized in the same preliminary financial year 2019) and an EBIT of approximately Euro 17 million (14 in 'similar preliminary results for 2019). The board of directors is convened for October 16 c.a. for the approval of the related final data.

In light of the foregoing, the expectation of significant revenue growth with its consistent profitability is confirmed for the year 2020.

Rome, 23 September 2020

For the Board of Directors

The Chairman
Andrea Iervolino





IERVOLINO ENTERTAINMENT

**Half-Year Consolidated Financial Report
as at 30 June 2020**

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Half-yearly consolidated statement of financial position

Half-year as at 30 June 2020 – values in Euros

	Notes	30/06/2020	31/12/2019
Assets			
Non-current assets			
Intangible Assets	Note 4	59,555,290	49,218,968
Finished productions		35,108,660	31,460,632
Productions in progress		7,996,496	4,941,559
Other rights		16,069,168	12,816,777
Other Intangible Assets		56,082	-
Trademark	Note 5	120,260	-
Goodwill	Note 5	204,624	-
Tangible Assets		117,729	5,791
Deferred tax assets	Note 6	4,047,971	3,778,177
Other non-current assets	Note 7	37,776	17,482
Total non-current assets		63,758,766	53,173,418
Current assets			
Trade receivables	Note 8	28,796,019	20,200,223
Tax receivables	Note 9	19,194,789	21,608,272
Current financial assets		4,136,974	-
Other current assets	Note 10	358,500	150,775
Cash and cash equivalents	Note 11	2,178,945	7,951,856
Total current assets		54,665,227	49,911,126
Total Assets		118,423,994	103,084,544
Shareholders' equity			
Share Capital	Note 12	1,336,001	1,334,801
Legal reserve	Note 12	496,996	496,996
Other reserves	Note 12	16,408,361	16,262,561
Profits (losses) carried forward	Note 12	29,555,513	9,306,384
Profit (loss) for the year	Note 12	9,589,021	20,249,129
Total Net equity		57,369,849	47,649,872
Non-controlling Interests		16,043	-
Total Shareholders' equity		57,385,892	47,649,872
Non-current liabilities			
Employee Benefits		111,886	36,318
Provisions for risks and charges		300,000	300,000
Non-current financial liabilities	Note 13	5,063,702	1,048,104
Total non-current liabilities		5,475,588	1,384,423
Current liabilities			
Current financial liabilities	Note 14	6,079,743	7,452,675
Trade payables	Note 15	36,289,408	26,432,482
Tax payables	Note 16	3,220,814	2,246,186
Contractual liabilities	Note 17	4,156,256	10,558,438
Other current liabilities	Note 18	5,816,293	7,360,468
Total current liabilities		55,562,514	54,050,249
Total Liabilities		118,423,994	103,084,544

* The comparison is made up of data from the financial statements of Iervolino Entertainment S.p.A. as of December 31, 2019

Statement of consolidated comprehensive profit/(loss) for the half-year
Half-year as at 30 June 2020 – values in Euros

	Notes	30/06/2020	31/12/2019 *
Revenues	Note 19	41,899,793	6,746,000
Other Revenues and Income	Note 20	8,615,708	17,620
Tax Credits	Note 21	4,972,663	2,878,557
Total Revenues and other income		55,488,164	9,642,177
Purchases of raw materials, supplies, and goods		42,898	27,590
Service costs	Note 22	1,246,562	778,475
Personnel expenses		308,823	161,660
Other operating costs		272,200	25,821
Amortisation, depreciation and write-downs	Note 23	41,617,023	5,725,424
Operating Profit		12,000,658	2,923,207
Financial Income	Note 24	464,378	414,829
Financial Charges	Note 24	865,264	400,075
Profits before tax		11,599,772	2,937,961
Income taxes	Note 25	(2,010,751)	(264,529)
Profit/(loss) for the year		9,589,021	2,673,432
Other components of the comprehensive income statement that may be subsequently reclassified in the profit/(loss) for the year net of taxes		-	-
Total other components of comprehensive income that cannot subsequently be reclassified in profit/(loss) for the year net of tax		-	-
Total comprehensive income/(loss) net of taxes		9,589,021	2,673,432
Basic earnings per share (ordinary shares)	Note 26	0.43	2.39
Diluted earnings per share (ordinary shares)	Note 26	0.40	2.39

* The comparison is made up of data from the financial statements of Iervolino Entertainment S.p.A. as of December 31, 2019

Half-year consolidated statement of changes in shareholders' equity

Half-year as at 30 June 2020 – values in Euros

	Notes	Share capital	Legal reserve	Special reserve	Reserve option for convertible bond loan	Share premium reserve	Capital contributions	Retained earnings/(losses) carried forward	Profit/(Loss) for the year	Total	NCIs	Total Shareholders' equity
Balance as of January 1, 2019		1,120,000	7,186	27,575	-	-	1,743,198	(2,177,835)	10,203,256	10,923,380	-	10,923,380
Profit/(Loss) for the year		-	-	-	-	-	-	-	2,673,432	2,673,432	-	-
Allocation of the operating result for the year		-	510,163	-	-	-	-	9,693,091	(10,203,254)	-	-	-
Other changes		-	-	-	(39,140)	-	-	-	-	(39,140)	-	-
Balance as of June 30, 2019		1,120,000	517,349	27,575	(39,140)	-	1,743,198	7,515,256	2,673,434	13,557,672	-	10,923,380
Balance as of January 1, 2020*		1,334,801	496,996	-	-	16,262,561	-	9,306,384	20,249,129	47,649,871	-	47,649,871
Profit/(Loss) for the year	Note 12	-	-	-	-	-	-	-	9,589,021	9,589,021	-	-
Allocation of the operating result for the year 2019	Note 12	-	-	-	-	-	-	20,249,129	(20,249,129)	-	-	-
Capital increase linked to "Arte Video" operation	Note 12	1,200	-	-	-	145,800	-	-	-	147,000	-	-
Saldo al 30 giugno 2020		1,336,001	496,996	-	-	16,408,361	-	29,555,513	9,589,021	57,385,892	16,043	57,369,849

* The balance as of January 1, 2020 from the data of the financial statements of Iervolino Entertainment S.p.A. as of December 31, 2019

Half-year Consolidated Cash Flow Statement

Half-year as at 30 June 2020 – values in Euros

	Notes	30/06/2020	30/06/2019
Profit for the year before taxes	Note 12	11,599,772	2,937,961
Income taxes	Note 24	(2,010,751)	(264,529)
Adjustments to reconcile pre-tax profit with net cash flows::			
Amortisation of Intangible and Tangible fixed assets	Note 23	41,617,023	5,725,424
Net exchange changes		166,377	(32,187)
Financial income		-	-
Financial charges		232,354	17,433
Provisions (Uses) for personnel funds		19,552	12,153
Other non-monetary items		2,921	38,901
Monetary flow generated by income management		51,627,247	8,435,156
Change in net working capital:			
Change in trade receivables		(8,595,796)	9,461,385
Change in trade payables		(20,707,791)	(25,358,259)
Change in other receivables and other assets		1,941,398	(19,226)
Change in other payables and other liabilities		(4,118,711)	4,790,845
Interest Paid		(90,692)	(7,549)
Income tax paid		(3,271,127)	-
A - Net flow generated/(used) from operating activities		16,784,528	(2,697,648)
Investments in intangible and tangible assets		(21,055,294)	(264,999)
Investments in financial assets (shares)		(153,000)	-
B - Net flow generated/(used) by investment activities		(21,208,294)	(264,999)
Mortgages and loans taken on during the period		9,705,148	2,171,731
Mortgages and loans repaid during the period		(11,327,907)	-
Bond loan issue		-	1,161,045
C - Net flow generated/(used) from financing activities		(1,622,759)	3,332,776
D - Total cash flow generated/(used) in the period (A + B + C)		(6,046,524)	370,128
E - Cash and cash equivalents at the beginning of the period		8,225,469	151,294
F - Cash and cash equivalents at the end of the period (D + E)		2,178,945	521,422

* The comparison is made up of data from the financial statements of Iervolino Entertainment S.p.A. as of June 30, 2019

Note: In accordance with IAS 7, the net flow generated / (absorbed) by investing activities only includes investments paid in the period.

Explanatory Notes to the condensed consolidated half-yearly financial statements

1. Corporate information

The publication of the condensed interim consolidated financial statements of Iervolino Entertainment S.p.A. and its subsidiaries (the Group) for the period ended June 30, 2020 was authorized by the Board of Directors on September 23, 2020. The consolidating company Iervolino Entertainment S.p.A. is a public limited company listed, registered and domiciled in Italy. The registered office is located in via Barberini 29, 00187 Rome.

The main activity of the Group is the production of film and television content from the preliminary evaluation of the project to post-production, including films, TV-shows, web-series, short TV shows and much more. The contents produced by the Group are considered Hollywood-style productions of standing and provide for 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 main Hollywood Majors. The Group also deals with post production and celebrity management.

Considering that the company draws up the first consolidated financial statements at 30 June 2020, the comparative data included in the condensed consolidated interim financial statements for the period at 30 June 2020 and in the Explanatory Notes to the financial statements refer to the financial statements at 31 December 2019 and to the financial statements abbreviated half-yearly report at 30 June 2019 of Iervolino Entertainment SpA.

Information on Group relations with related parties is presented in Note 27.1.

2. Main accounting standards

2.1 Drafting principles

The condensed consolidated interim financial statements for the period as at 30 June 2020 were prepared on the basis of IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements do not disclose all the information required in preparing the annual consolidated financial statements. For this reason, with the exception of the consolidation principles presented below, it is necessary to read the condensed consolidated interim financial statements together with the separate financial statements as at 31 December 2019 drawn up by the parent company Iervolino Entertainment S.p.A .

The consolidated interim financial statements are presented in euro and all values are expressed in units of euro, unless otherwise indicated.

2.2 Consolidation principles

The condensed interim consolidated financial statements include the financial statements of Iervolino Entertainment S.p.A. and its subsidiaries as at 30 June 2020 (the Group).

Considering that the company draws up the first consolidated financial statements at 30 June 2020, the comparative data included in the condensed consolidated interim financial statements for the period at 30 June 2020 and in the Explanatory Notes to the financial statements refer to the financial statements at 31 December 2019 and to the financial statements abbreviated half-yearly report at 30 June 2019 of Iervolino Entertainment SpA.

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

Specifically, the Group controls an investee if, and only if, the Group has: power over the investee entity (or holds valid rights that give it the current ability to direct the relevant activities of the investee entity); exposure or rights to variable returns deriving from the relationship with the investee entity; the ability to exercise its power over the entity being invested in 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 determine whether it controls the entity subject to investment, including:

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

The Group reconsiders whether or not it has control of 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 gains control of it and ends 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 date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

The profit (loss) for the year and each of the other components of the comprehensive income statement are attributed

to the shareholders of the parent company and to the minority interests, even if this implies that the minority interests have a negative balance. When necessary, appropriate adjustments are made to the financial statements of the subsidiaries in order to ensure compliance with the group's accounting policies. All assets and liabilities, shareholders' equity, revenues, costs and infra-group cash flows relating to transactions between group entities are completely eliminated in the consolidation phase.

Changes in the shareholdings in a subsidiary that do not lead to a loss of control are recognized in equity. If the Group loses control of a subsidiary, it must eliminate the related activities (including goodwill), liabilities, minority interests and other components of shareholders' equity, while any profit or loss is recognized in the income statement. The participation fee possibly maintained must be recognized at fair value.

The following table summarizes, with reference to subsidiaries, the information at 30 June 2020 relating to the name, registered office and share capital held directly and indirectly by the Group.

Business name	Registered Office Address	Currency	Ownership
Iervolino Entertainment S.p.A.	Via Barberini 29, 00187 Roma	Euro	
Arte Video S.r.l.	Via Barberini 29, 00187 Roma	Euro	100%
R.E.D. Carpet S.r.l.	Via del Porto Fluviale 69, 00154 Roma	Euro	51%
Iexchange S.r.l.	Via Barberini 29, 00187 Roma	Euro	100%
Iervolino Studios d.o.o.	Via Svetosavka 26/9, Pozarevac	Serbian Dinaro	100%

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

2.2 Drafting principles and changes to the company's accounting policies

The accounting principles adopted for the preparation of the condensed interim consolidated financial statements comply with those used for the preparation of the financial statements of the parent company Iervolino Entertainment S.p.A. as of 31 December 2019. Considering that the company prepares the first consolidated financial statements as of 30 June 2020, the Consolidation Principles have been reported in paragraph 2.2 for the first time. Furthermore, unlike the separate financial statements at 31 December 2019, these condensed consolidated interim financial statements include IFRS 3, by virtue of the business combinations carried out in the reference period, and IFRS 16, following the lack of exemptions envisaged and used at 31 December 2019.

a) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value at the acquisition date, less of the amount of the minority stake in the acquired company. For each business combination, the Group defines whether to measure the minority stake in the acquired company at fair value or in proportion to the minority shareholding in the acquiree's identifiable net assets. The acquisition costs are expensed during the year and classified under administrative expenses. When the Group acquires a business, it classifies or designates the acquired financial assets or liabilities assumed in accordance with the contractual terms, economic conditions and other relevant conditions in place on the date of acquisition. This includes checking whether an embedded derivative should be separated from the primary contract. Any potential consideration to be recognized is recognized by the buyer at fair value on the date of acquisition. The potential consideration classified as equity is not subject to remeasurement and its subsequent payment is accounted for with a balancing entry in equity. The change in the fair value of potential consideration classified as an asset or liability, as a financial instrument that is in the subject of IFRS 9 Financial Instruments, must be recognized in the income statement in accordance with IFRS 9. If contingent consideration that does not fall within the scope of IFRS 9 is valued at fair value at the balance sheet date and changes in fair value are recognized in the income statement.

Goodwill is initially recognized at cost represented by the excess of the total amount paid and the amount recorded for minority interests with respect to identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the set of consideration paid, the Group again checks whether it has correctly identified all the activities acquired and all liabilities assumed and reviews the procedures used to determine the amounts to be recognized on the date of acquisition. If the new valuation still shows a fair value of the net assets acquired higher than the consideration, the difference (profit) is recognized in the income statement.

After initial recognition, goodwill is valued at cost, net of accumulated impairment. In order of the verification for impairment, the goodwill acquired in a business combination is allocated, from the acquisition date, to each expected Group cash flow generating unit benefits of the synergies of the combination, regardless of whether other assets or liabilities of the entity acquired are assigned to these units.

If the goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of this unit, the goodwill associated with the divested business is included in the book value of the asset when determines the profit or loss of the disposal. The goodwill associated with the divested business is determined on the basis of the relative values of the divested business and of the part maintained of the flow generating unit financial.

b) Intangible assets

The separately acquired intangible assets are initially recognized under assets at purchase cost, including any directly attributable ancillary charges, as well as financial charges incurred in the period of realization of the assets. After initial recognition, intangible assets are recognized at cost, net of accumulated depreciation and any accumulated impairment losses.

Intangible assets produced internally, with the exception of the internal costs of production of cinematographic works, are not capitalized and are recorded in the half-year profit / (loss) in which they were incurred. Under the item "Intangible assets", the following types of costs relating to rights acquired on cinematographic works are distinguished: (i) costs incurred for film productions; (ii) costs for rights acquired with a limited duration such as concessions / licenses acquired at a fixed price or with a guaranteed minimum.

The concession / license agreements for the acquisition of exploitation rights on films are entered among Intangible assets at the time of the transfer of control. These rights are amortized according to a methodology based on expected revenues, commonly used in the sector and which provides that the accumulated depreciation at the balance sheet date is determined by referring to the relationship between the revenues realized and the total revenues deriving from the different types of exploitation. of the rights, envisaged on the basis of the sales plans, as the Directors believe that this methodology more appropriately and correctly reflects the speed with which the Group expects to use the economic benefits associated with these rights.

All costs relating to film productions and incurred in the various pre-production, production and post-production phases of the films are capitalized under the items "Completed productions" and "Productions in progress". The completed productions are amortized using the "film forecast computation method", based on which the amortization at the balance sheet date is determined over the time horizon in which the intangible asset will generate revenues. The amortization period, based on the peculiarity of the individual productions in place, is estimated over a time horizon of four years.

At each balance sheet date, in addition to reviewing the useful life, intangible assets with a definite useful life are analyzed in order to identify the existence of any indicators, inferable from both external and internal sources, of their reduction in value. . In the circumstances in which the presence of such indicators is identified, the recoverable value of the aforementioned assets is estimated, attributing any write-down to the income statement. The recoverable value of an asset is the greater of its fair value reduced by sales costs and its value in use, where the latter is the sum of the estimated future revenues for that activity.

An intangible asset resulting from development (or from the development phase of an internal project) is recognized if and only if it is demonstrated:

- a) The technical feasibility of completing the intangible asset in order to be available for use and for sale;;
- b) Its intention to complete the intangible asset to use or sell it;
- c) The ability to use or sell the intangible asset;

- d) How the intangible asset will generate probable future economic benefits. Moreover, 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) Its ability to reliably assess the cost attributable to the intangible asset during its development.

During the development period, the business is subject to annual verification of any loss in value (impairment test).

c) IFRS 16 Leases

The Group assesses at the time of signing a contract whether it is, or contains, a lease. In other words, if the contract confers the right to control the use of an identified asset for a period of time in exchange for a corresponding.

The Group as a lessee

The Group adopts a single recognition and measurement model for all leases, except for leases of short-term and leasing of low value assets. The Group recognizes the liabilities relating to the payments of leasing and right-of-use activity which represents the right to use the asset underlying the contract.

i) ROU Assets

The Group recognizes the assets for the right of use on the lease start date (i.e. the date on which the asset below is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of the liabilities of leasing. The cost of the right-of-use assets includes the amount of recognized leasing liabilities and costs direct initial incurred and lease payments made on or prior to commencement net of any incentives received. Right-of-use assets are amortized on a straight-line basis from the date of effective at the end of the useful life of the asset consisting of the right of use or, if earlier, at the end of the lease term.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the asset consisting in the right of use reflects the fact that the lessee will exercise the purchase option, the lessee must amortize the asset consisting of the right of use from the effective date until the end of useful life of the underlying asset.

Right-of-use assets are subject to impairment. Please refer to what is indicated in section s) Loss of value of non-financial assets.

ii) Lease-related liabilities

At the effective date of the lease, the Group recognizes the lease liabilities by measuring them at the present value of payments due for leasing not yet paid on that date. Payments due include fixed payments (including fixed payments in substance) net of any leasing incentives to be received, the payments lease variables that depend on an index or rate, and the amounts that are expected to be paid to security of residual value. The lease payments also include the strike price of an option purchase if it is reasonably certain that this option will be exercised by the Group and the penalty payments of termination of the lease, if the duration of the lease takes into account the exercise by the Group of the option to termination of the lease itself.

Variable lease payments that are not dependent on an index or rate are recognized as costs in the period (unless they were incurred for the production of inventories) in which the event or the condition that generated the payment.

d) Tangible assets

They are recognized at historical cost, net of the related accumulated depreciation and accumulated losses in value. The depreciation charges, charged to the income statement, were calculated according to the economic-technical duration of the assets, on the basis of the residual possibility of use. If, regardless of the depreciation already accounted for, there is a lasting loss in value, the fixed asset is correspondingly written down. If in subsequent years the reasons for the write-down no longer apply, the original value adjusted only for depreciation is restored.

e) Impairment of non-financial assets

At each balance sheet closure, the Group evaluates the possible existence of indicators of impairment of the assets. In this case, or in cases where an annual impairment test is required, the Group makes an estimate of the recoverable amount. The recoverable value is the greater of the fair value of the asset or generating unit of cash flows, net of sales costs, and its value in use. The recoverable amount is determined for single asset, except when such asset generates cash flows that are not largely independent from those generated by other activities or groups of activities. If the book value of an asset is higher than its value recoverable, this asset has suffered a loss in value and is consequently written down to bring it back to recoverable value. In determining the value in use, the Group discounts the estimated future cash flows to the present value using a pre-tax discount rate, which reflects market valuations of the present value of money and risks specific to the activity. In determining the fair value net of sales costs, transactions are taken into account recent changes on the market. If such transactions cannot be identified, an adequate is used valuation model. These calculations are corroborated by appropriate valuation multipliers, stock prices listed equities for investee companies whose securities are traded on the market, and other available fair value indicators.

The Group bases its impairment test on the most recent budgets and forecast calculations, prepared separately for each cash-generating unit of the Group to which individual assets are allocated. These budgets and forward calculations generally cover a period of five years. To project the future cash flows beyond the fifth year a long-term growth rate is calculated.

Losses in value of operating assets are recognized in the consolidated half-yearly profit / (loss) statement in the cost categories consistent with the destination of the activity that highlighted the loss in value. Previously revalued fixed assets are an exception, where the revaluation was accounted for among the other components of the comprehensive income statement. In such cases, the impairment is in turn recognized among the other components of the comprehensive income up to the amount of the previous revaluation.

For activities other than goodwill, at each balance sheet closure, the Group evaluates the possible existence of indicators of the absence (or reduction) of previously recognized impairment losses and, if such indicators exist, estimates the recoverable value of the asset or CGU. The value of an activity previously written down can only be reinstated if there have been changes in the assumptions on which the calculation of the recoverable value determined, following the recognition of the last loss in value. Not recovery may exceed the book value that would have been determined, net of depreciation, in the hypothesis in which no impairment had been recognized in previous years. This recovery is recognized in the prospectus of the consolidated half-yearly profit / (loss) unless

the fixed asset is accounted for at revalued value, in which case the recovery is treated as an increase from revaluation

Goodwill is subjected to impairment testing at least once a year or more frequently, when circumstances suggest that the book value may be subject to impairment. The impairment of goodwill is determined by evaluating the recoverable value of the generating unit of cash flows (or group of cash-generating units) to which the goodwill is attributable. Where the recoverable value of the cash-generating unit was less than the book value of the unit generating cash flows to which the goodwill has been allocated, an impairment loss is recognized. The reduction in the value of goodwill cannot be reinstated in future years. Intangible assets with an indefinite useful life are tested for impairment at least once the year, at the level of the cash-generating unit and when circumstances indicate that there may be a loss in value.

f) Financial assets

Upon initial recognition, financial assets are classified, as appropriate, based on the subsequent measurement methods, ie at amortized cost, at fair value recognized in the OCI comprehensive income statement and at fair value recognized in the income statement.

The final version of the new IFRS 9 Standard, divided into three pillars, determines the need to revisit the processes and criteria for managing financial instruments in terms of "Classification and Measurement", "Impairment" and "Hedge Accounting".

With regard to Classification & Measurement, the Standard provides for new rules for the classification of financial assets in the following categories:

- Amortized Cost - "CA";
- Fair value with changes in equity (Fair Value Other Comprehensive Income) - "FVOCI";
- Fair value with changes in the income statement (Fair Value through Profit and Loss) - "FVTPL".

This classification is carried out according to two discriminants:

- The Business Model that the Group has associated with each of the portfolios identified and
- The characteristics of the contractual cash flows of the financial instrument (SPPI Test - Solely Payments of Principal and Interest).

In the area of impairment, the main changes concern:

- The change in the scope of application of financial assets subject to the write-down process;
- The introduction of a depreciation model based on expected losses (Expected Credit Loss) with the adoption of a Forward Looking approach;
- The classification of financial instruments into three stages of credit quality and the consequent need to adopt a specific Stage Assignment Framework;

Calculation of value adjustments according to the credit quality stage attributed.

The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses to manage them.

The Group's business model for managing financial assets refers to the way it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of financial assets or from both.

The purchase or sale of a financial asset that requires its delivery within a period of time generally established by regulation or market conventions (so-called standardized sale or regular way trade) is recognized on the trade date, i.e. the date on which the Group undertook to buy or sell the asset.

Subsequent evaluation

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value recorded in the comprehensive income statement with reclassification of accumulated profits and losses (debt instruments);
- Financial assets at fair value recognized in the comprehensive income statement without reversal of accumulated profits and losses at the time of elimination (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

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

- the financial asset is held within the framework of a business model whose objective is the possession of financial assets aimed at collecting contractual cash flows;
- and
- the contractual terms of the financial asset provide for financial flows on certain dates represented solely by payments of principal and interest on the amount of capital to be repaid.

Financial assets at amortized cost are subsequently valued using the effective interest criterion and are subject to impairment as indicated below. Profits and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

The financial assets at amortized cost of the Group include trade receivables.

Derecognition

A financial asset is first canceled (e.g. removed from the Group's statement of financial position) when:

- the rights to receive financial 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 the 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 withheld substantially all the risks and rewards of the asset, but has transferred control of the asset.

In cases in which the Group has transferred the rights to receive cash flows from an asset or has signed an agreement under which it maintains the contractual rights to receive the cash flows from 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 inherent in ownership. In the event that it has neither transferred nor retained substantially all the risks and benefits or has not lost control over the same, the asset continues to be recognized in the Group's financial statements to the extent of its residual involvement in the activity itself. In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that remain attributable to the Group.

When the entity's residual involvement is a guarantee on the transferred asset, the involvement is measured on the basis of the lower 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 records a write-down for expected losses (expected credit loss 'ECL') for all financial assets represented by debt instruments not held at fair value through profit or loss. The ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted to an approximation of 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.

With regard to credit exposures for which there was no significant increase in credit risk from initial recognition, credit losses must be recognized derive from the estimate of default events that are possible within the next 12 months (12-month ECL). For the credit exposures for which there has been a significant increase in credit risk since initial recognition, the expected losses referring to the residual duration of the exposure must be recognized in full, a regardless of the time when the default event is expected to occur (" Lifetime ECL").

g) Financial liabilities

Initial recognition and evaluation

Financial liabilities are classified, on initial recognition, among 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 recognized at fair value to which, in the case of mortgages, loans and payables, the transaction costs directly attributable to them are added.

The financial liabilities of the Group include trade payables and other payables, mortgages and loans.

Subsequent evaluation

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

Assets and liabilities at amortized cost

This is the most relevant category for the Group. After initial recognition, the loans are valued with the amortized cost criterion using the effective interest rate method. Gains and losses are recognized in the income statement when the liability is extinguished, as well as through the amortization process.

The amortized cost is calculated by noting the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortization at the effective interest rate is included in the financial charges in the profit / (loss) statement).

Derecognition

A financial liability is canceled when the obligation underlying the liability is extinguished, canceled or fulfilled. Where an existing financial liability is replaced by another of the same lender, under substantially different conditions, or the terms of an existing liability are substantially changed, such exchange or modification is treated as a write-off of the original liability, accompanied by the recognition of a new liability, with entry in the half-year profit / (loss) statement of any differences between the book values.

Clearing of financial instruments

A financial asset and financial 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 recognized in the accounts and there is an intention to settle the net residual, or to realize the activity and at the same time extinguish the liability.

Embedded derivatives

The embedded derivatives, incorporated within financial assets, are not subject to accounting separation; in these cases, the entire hybrid instrument is classified according to the general criteria for the classification of financial assets (see point "Financial assets"). On the other hand, the implicit derivatives incorporated within financial liabilities and / or non-financial assets are separated if: (i) the economic characteristics and risks of the implicit derivative are not strictly related to the economic characteristics and risks of the main contract; (ii) the embedded instrument subject to separation satisfies the definition of derivative; (iii) the hybrid instrument as a whole is not measured at fair value with impacts on the income statement (FVTPL). The verification of the existence of implicit derivatives to be separated and valued separately is carried out at the moment in which the company becomes part of the contract and, subsequently, in the presence of changes in the conditions of the contract that determine significant changes in the cash flows generated by the same.

h) Cash and cash equivalents and short-term deposits

Cash and short-term deposits include cash on hand and sight and short-term deposits with a maturity of no more than three months, held to meet short-term cash commitments, rather than for investment or other purposes, and which they are not subject to significant risks associated with changes 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.

g) Convertible bond

Convertible bonds are divided, on the basis of the terms of the contract, into liabilities and equity components.

At the time of issue, convertible bonds are classified under current or non-current payables on the basis of their timing, and are accounted for using the amortized cost method (net of transaction costs) until extinction by conversion or repayment.

The residual part of the proceeds from the issue is attributed to the conversion option, recognized in equity net of transaction costs. Transaction costs are deducted from shareholders' equity, net of the related income taxes. The book value of the conversion option is not changed in subsequent years.

The transaction costs associated with the issuance of a compound financial instrument are charged to liability and capital components of the instrument in proportion to the value of each component recognized at the time of initial recognition.

h) Pension funds and other post-employment benefits

The Group has activated a defined benefit pension plan. The cost of the benefits envisaged under the defined benefit plan is not determined by applying the actuarial method as the effect of its application would be irrelevant.

The Group has no other defined benefit pension plans.

i) Provisions

Allocations to provisions for risks and charges are made when the Group has to meet a current obligation (legal or constructive) resulting from a past event, 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 indemnity is recognized in a distinct and separate manner in assets if, and only if, it is practically certain. In this case, the cost of any provision is presented in the statement of profit / (loss) for the year net of the amount recognized for the compensation.

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 passivity is discounted, the increase in the provision due to the passage of time is recognized as an expense financial.

l) Contract liabilities

The contractual liability is an obligation to transfer to the customer goods or services for which the Group already has received the consideration (or for which a share of the consideration is due). The contractual liability is recognized if payment has been received or payment is due (whichever comes first) by the customer before the Group has transferred control of the goods or services to him. Liabilities deriving from the contract are recognized as revenues when the Group meets its obligations to perform in the related contract.

m) Revenues

Revenues relating to the exploitation of Intellectual Property (IP) are recognized if both of the following conditions are met: (i) the Group has delivered the product to the customer who has a significant autonomous functionality and (ii) the customer, who has received the product, is able to use it and benefit from the right to use.

Revenues relating to royalties based on the use and sales of an IP license are recognized if both of the following conditions are satisfied: (i) the sale or use has occurred and (ii) the performance obligations, under which some or all royalties based on the use and sales of an IP license have been allocated, have been met.

Revenues relating to Post production and Celebrity Management are recognized when the service is rendered.

n) Government Grants – Tax Credit:

Government grants - tax credit are recognized when there is reasonable certainty that they will be received and that all the conditions relating to them are met. Grants related to cost components are recognized as revenues, and are systematically divided between financial years so as to be commensurate with the recognition of the costs they intend to offset. The contribution related to an asset is recognized as revenue in amounts equal to those applied for

the amortization of the related intangible asset, in accordance with the provisions of IAS 20 "Accounting for government grants and disclosure on public assistance".

This category mainly includes the contributions recognized by the Ministry of Cultural Heritage and Activities and Tourism (MIBACT) for television and film productions made, on the basis of the applicable legal regulations, which are recognized as contributions to the income statement in relation to estimated useful life of the asset to which they refer.

With specific reference to the cinema sector, the Group currently benefits from a type of public grants, or incentives consisting of a tax advantage and deriving from tax credits granted to companies of cinematographic production in relation to the realization of cinematographic works referred to in Law 244/2007, as regulated by the "Tax Credit" Producers decree, containing the application methods. In particular, the aforementioned legislation intends to incentivize the Italian production of films through the recognition of a tax credit corresponding to a certain percentage of the total cost of the film.

o) Income taxes

Current tax assets and liabilities for the year are valued for the amount that is expected to be recovered or paid to the tax authorities. The rates and tax legislation used to calculate the amount are those issued, or substantially in force, at the balance sheet date in the country where the Group operates and generates its taxable income.

Current taxes relating to items recognized directly in equity are also recognized in equity and not in the profit / (loss) for the year. Management periodically assesses the position taken in the tax return in cases where tax regulations are subject to interpretation and, where appropriate, makes provision for provisions..

p) Deferred taxes

Deferred taxes are calculated by applying the so-called "liability method" to the temporary differences at the balance sheet date between the tax values of assets and liabilities and the corresponding balance sheet values.

Deferred tax assets are recognized against all temporary deductible differences, unused tax credits and losses that can be carried forward, to the extent that it is probable that sufficient future taxable income will be available to allow the use of the differences. tax credits and losses carried forward, except in the case where the deferred tax asset linked to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction itself, it does not affect either the balance sheet result or the tax result. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available in the future to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed at each balance sheet date and are recognized to the extent that it becomes probable that the tax income will be sufficient to allow the recovery of such deferred tax assets.

q) Foreign currency transactions and balances

Foreign currency transactions are initially recognized in the functional currency, applying the spot exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency at the exchange rate on the date of the financial statements.

The exchange differences realized or those resulting from the conversion of monetary items are recognized in the income statement, with the exception of the monetary elements that form part of the hedge of a net investment in

a foreign operation. These differences are recognized in the comprehensive income statement until the sale of the net investment, and only then is the total amount reclassified in the income statement. Taxes attributable to exchange differences on monetary elements are also recognized in the comprehensive income statement.

In preparing the cash flow statement, presented with the indirect method, the cash flow from operating activities is determined by adjusting the profit for the effects of unrealized exchange gains or losses, as they are non-monetary elements.

Non-monetary items measured at historical cost in foreign currency are converted at the exchange rates on the date of initial recognition of the transaction. Non-monetary items recognized at fair value in foreign currency are converted at the exchange rate on the date of determination of this value. The gain or loss that emerges from the conversion of non-monetary items is treated consistently with the recognition of the profits and losses relating to the change in the fair value of the aforementioned items (ie the translation differences on the items whose change in fair value is recognized in the comprehensive income statement or in the income statement are recognized, respectively, in the comprehensive income statement or in the income statement).

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) when canceling a non-monetary asset or non-monetary liability relating to the advance payment, the date of the transaction is the date on which the Group initially recognizes 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.

r) Cost recognition

The costs are recognized at the time of acquisition or consumption of the good or service.

2.3 Effects related to Covid-19 pandemic

The effects related to the covid-19 pandemic on the activities of the IE Group and the effects on future activities are illustrated below.

a) The activities of the first half of 2020

With reference to the recent restrictions linked to the outbreak of the Covid-19 pandemic, the productions of the IE Group, being mainly intended for streaming platforms, have not yet suffered any particular effects except as regards the planning of the filming of the films Together Now and Eddie & Sunny who have had a deferral from the original production plan.

The smart-working operating mode, even if more onerous due to technical adaptations, the increase in the workforce and, finally, the contracts with the customer and suppliers to anticipate some 2021 deliveries of the Arctic Friends web series to 2020, will compensate for any prolongation the postponement of the filming of the aforementioned films.

The smart-working mode of operation resulted in the complete absorption of the Group's production capacity.

It is also specified that the technical times necessary to make the smart-working operating mode more efficient led, during the month of March, to a slight delay in the deliveries of some productions relating to episodes of the Puffins web series, promptly recovered at the beginning of May.

a) The effects on future activities

The productions of the IE 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 characterize the Group's core business, there are immediate expectations of increasing growth opportunities.

3 Operating segments: Disclosure

For the purposes of IFRS 8 - Operating Segments, the activity carried out by the Group can be identified in three operating segments:

- Film productions;
- Post-production activities;
- Celebrity Management.

The film production segment constitutes the core business of the company which is a global production company specializing in the production of film and television content, from the preliminary evaluation of the project to post-production, of Hollywood-style standing for the international market; for these characteristics, the customers of this operating segment are international sales agents or distributors located outside the Italian territory.

At 31 December 2019, the operating segments included Advertising, a segment connected with the advertising agency activity for the TATATU platform. Following the change in strategy, in the early months of 2020 the contract relating to the advertising concessionaire was terminated by mutual consent. Therefore, this operating segment is no longer present in the IFRS 8 disclosure.

The post-production segment is developed by the subsidiary Arte Video and also includes digital delivery activities.

The Celebrity Management segment relates to the development of an internal celebrity management agency: this segment will be developed by the synergies between Iervolino Entertainment S.p.A. and the R.E.D. Carpet S.r.l.

The Post Production and Celebrity Management segments are residual from the Film Productions. As of June 30, 2020, the weight of the revenues of the Post-production and Celebrity Management segments compared to total revenues was equal to 1%. For this reason, the significant items of costs and revenues are not reported.

Administrators separately monitor the results achieved by business units for the purpose of taking decisions regarding the allocation of resources and performance verification. The performance of the sectors is evaluated on the basis of the result. In addition, the Company's financial management and income taxes are managed a Company level and are not allocated to operating segments.

Note n. 4 Intangible assets

The composition of the item Intangible assets as at 30 June 2020, compared with the same values as at 31 December 2019, is shown below:

€/000	30/06/2020	31/12/2019	Change
Finished productions	35,109	31,460	3,649
Productions in progress	7,996	4,942	3,055
Other rights	16,069	12,817	3,252
Other intangible assets	56	-	56
Total intangible assets	59,230	49,219	10,012

The item Completed productions includes the capitalization of the completed and amortized works produced; these works mainly refer to (i) the web series Arctic Friends (formerly Arctic Justice) (15 episodes were delivered in 2018, 35 in 2019 and 30 in the first half of 2020) (€ 19,597 thousand); (ii) the web series Puffins (20 episodes were delivered in 2019 and 30 in the first half of 2020) (€ 13,540 thousand); (iii) the residual amount of the films Waiting for the Barbarians and The Poison Rose (€ 1,464 thousand).

The item Production in progress includes the capitalization of the productions relating to Together Now and Eddy & Sunny.

The item other production rights includes the capitalization of the costs incurred for the acquisition of the distribution rights of the films in Italy and the rights relating to Intellectual Properties. The amount of the item is mainly given by the acquisition of 7 Intellectual Properties for the production of short content.

The movements in intangible assets are shown below:

€/000	At 31 December 2019	Increase	Decrease	At 30 June 2020
Finished productions	31,460	45,225	(41,576)	35,109
Productions in progress	4,942	3,055	-	7,996
Other rights	12,817	3,270	(18)	16,069
Other intangible assets	-	63	(7)	56
Total intangible assets	49,219	51,613	(41,601)	59,230

The increases in intangible assets of € 51,612 thousand were paid in the period for € 21,055 thousand.

During the period, no indications emerged of a possible loss in value with reference to intangible assets.

Note n. 5 Trademark and Goodwill

The Trademark and Goodwill derive from the difference between the prices paid for the acquisitions of controlling shareholdings, and the "fair value" of the net assets acquired on the date in which control is essentially determined. In particular, the trademark relates to the acquisition of the stake in R.E.D. Carpet S.r.l., and the goodwill for the acquisition of the stake in Arte Video S.r.l.

The allocations of the higher values paid are to be considered on a provisional basis, the Group will complete the allocations within 12 months from the date of acquisition in accordance with the terms established by IFRS 3.

The Trademark and goodwill are not amortized, but are subjected to an impairment test in accordance with IAS 36, in accordance with the IAS / IFRS international accounting standards.

It should be noted that as at 30 June 2020 there were no indicators of impairment.

Note n. 6 Deferred tax assets

Deferred tax assets, equal to Euro 4,048 thousand, consist of taxes calculated on the deductible temporary differences deriving from a misalignment between the book values recorded in the financial statements and the

corresponding values recognized for tax purposes. The breakdown of deferred tax assets at 30 June 2020 is as follows:

€/000	30/06/2020	31/12/2019	Change
Amortisation of Intangible Fixed Assets	3,560	3,261	299
Write-down of intangible fixed assets	413	413	-
Other temporary differences	75	104	(29)
Deferred tax assets	4,048	3,778	270

Please note that deferred tax assets are recognized to the extent that it is probable the existence of adequate future tax profits that may make the use of deductible temporary differences applicable and tax assets and liabilities carried forward.

Deferred tax assets were accounted for consistently with the estimate of the probable temporal manifestation and the amount of future taxable profits, as provided for in the 2020-2026 business plan.

Note n. 7 Trade receivables

Trade receivables amount to € 28,796 thousand. Below is the detail:

€/000	30/06/2020	31/12/2019	Change
Gross trade receivables	28,907	20,311	8,596
Allowance for doubtful debts	(111)	(111)	-
Total Trade receivables	28,796	20,200	8,596

Receivables from customers are generated by normal commercial activity and are regularly collected at the deadlines agreed in the sales contracts.

The following tables show the geographical composition of trade receivables and the details of the share with related parties:

€/000	30/06/2020	31/12/2019	Change
Receivables from domestic customers	109	172	(63)
Receivables from non-EU customers	28,687	20,028	8,659
Total Trade receivables	28,796	20,200	8,596

€/000	30/06/2020	31/12/2019	Change
Gross trade receivables	28,907	20,311	8,596
Allowance for doubtful debts	(111)	(111)	-
Total Trade receivables	28,796	20,200	8,596

The Group carries out a specific assessment of the risk of bad debt for each customer. At 30 June 2020, based on this analysis, no differences emerged with respect to the analyzes carried out at 31 December 2020.

Note n.9 Tax credits

The table below presents the composition of tax credits at 30 June 2020:

€/000	30/06/2020	31/12/2019	Change
VAT credit	2,352	1,586	766
Tax credit for cinema production	11,642	13,059	(1,417)
R&D tax credit	3,201	6,463	(3,262)
Tax credit IPO	500	500	-
IRES advance payment	1,495	-	1,495
Other tax credit	5	-	5
Total tax receivables	19,195	21,608	(2,413)

The item tax credit cinema production 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.

The R&D tax credit item is connected with the research and development activity which, starting from 2018, took the form of 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 social media usage habits of the new generations who favor the consumption of video content through web and social channels such as Instagram FB etc. but which at the same time require high quality products.

Note n. 10 Current financial assets

The item includes the financial receivable relating to the sale of the Waiting for the Barbarians film production tax credit. This credit was collected in the first days of July 2020.

Note n. 11 Cash and bank deposits

Below is the composition of the item:

€/000	30/06/2020	31/12/2019	Change
Cash and bank deposits on sight	2,179	7,952	(5,773)
Cash and cash equivalents	2,179	7,952	(5,773)

There are no restrictions on cash and cash equivalents at 30 June 2020.

Note n. 12 Shareholders' equity

Below is the composition of the item:

€/000	30/06/2020	31/12/2019	Change
Share capital	1,336	1,335	1
Legal reserve	497	497	-
Share Premium Reserve	16,408	16,263	145
Retained earnings/(losses) carried forward	29,556	9,306	283
Profit/(Loss) for the year	9,589	20,249	37,137
Total Net Equity	57,386	47,650	9,736
<i>of which NClS</i>	<i>16</i>	<i>-</i>	<i>16</i>

Share Capital

At 30 June 2020, the share capital amounts to Euro 1,336,001, fully paid up, and consisting of no. 33,400,029 share.

Legal Reserve

At June 30, 2020 the legal reserve amounted to € 497 thousand.

Share premium reserve

At 30 June 2020 the share premium reserve consisted of:

- Share listing on the multilateral trading system AIM Italia organized 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 "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 "(€ 7,315 thousand);
- Capital increase operation for the acquisition of the company Arte Video S.r.l. (Euro 146 thousand).

Note n. 13 Non-current financial liabilities

Below is a breakdown of the item Non-current financial liabilities at 30 June 2020:

€/000	30/06/2020	31/12/2019	Change
Loans	5,028	1,048	3,980
Other non-current financial liabilities	36	-	-
Non-current financial liabilities	5,064	1,048	4,016

The item includes medium / long-term variable 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	Initiation year	Expiry year	Within 1 year	Between 1 and 5 years
Banca Progetto	Loan	Euribor 1M + 5% spread	500	2019	2024	94	323
Banca Progetto	Loan	Euribor 1M + 5% spread	500	2019	2024	94	331
Banca Progetto	Loan	Euribor 1M + 5% spread	500	2019	2023	119	324
Intesa San Paolo S.p.A.	Loan	4.75 (until 30/06/2020) - Euribor 3M + spread 2.5	4,100	2020	2025	0	4,100

Note n. 14 Current financial liabilities

Current financial liabilities at 30 June amounted to € 6,080 thousand and are made up as follows::

€/000	30/06/2020	31/12/2019	Change
Financing	4,059	6,193	(2,134)
Short-term portion of non-current financial payables	307	307	-
Financial Debt Interest Bonds	116	231	(115)
Payables to bank for VAT Factoring	1,586	-	-
Altre passività finanziarie correnti	12	-	12
Current account discovered	-	722	(722)
Current financial liabilities	6,080	7,453	(1,373)

Below are the details of the bank loan.

Issuing institution	Type of loan:	Interest rate	Amount disbursed	Initiation year	Expiry year	Within 1 year	Between 1 and 5 years
Intesa San Paolo S.p.A.	Loan	2.35 (until 12/05/2020) - Euribor 3M + spread 2.75	4,000	2020	2021	4,000	-

The bank loan for the amount of € 4 million was paid off in the first days of July 2020. Financial payables for interest on the Bond refer to the convertible bond loan issued on 23 December 2019: the part relating to the obligation to remunerate at an interest rate of 3% it was recorded as a current financial liability in line with IAS 32.

Note n. 15 Trade payables

Trade payables amount to € 36,289 thousand, as indicated in the following table::

€/000	30/06/2020	31/12/2019	Change
Trade Payables	36,289	26,300	9,989
Payables to related parties (Note 27.1)	-	132	(132)
Total Trade payables	36,289	26,432	9,857

Total trade payables represent the Company's debt to suppliers for service purchases. The item consists of euro 32,901 thousand of invoices to be received.

The following table shows the geographical composition of trade payables:

€/000	30/06/2020	31/12/2019	Change
Payables to domestic Suppliers	2,194	1,868	326
Payables to EU Suppliers	237	219	18
Payables to non-EU suppliers	33,858	24,345	9,513
Total Trade payables	36,289	26,432	9,857

Note n. 16 Tax liabilities

The item Tax payables includes payables relating to IRES, IRAP and other taxes. Below is the detail:

€/000	30/06/2020	31/12/2019	Change
Current tax payables	2,537	2,052	485
Other tax payables	684	194	490
Total tax liabilities	3,221	2,246	975

Note n. 17 Contract liabilities

At 30 June 2020 there were contractual liabilities for an amount of € 4,156 thousand. The contractual liabilities derive from the advance payment of revenues after 30 June 2020.

Note n. 18 Other current liabilities

At 30 June, other current liabilities were recorded for an amount of Euro 5,816 thousand; the details are shown below:

€/000	30/06/2020	31/12/2019	Change
Payables to employees	173	86	87
Deferred income	5,633	7,186	(1,553)
Other payables	10	88	(78)
Other current liabilities	5,816	7,360	(1,544)

The 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 n. 19 Revenues

Revenues amount to a total of € 41,899 thousand and refer to the three operating segments as indicated in detail:

€/000	30/06/2020	31/12/2019	Change
Film production revenues	40,509	6,746	33,763
ADV Revenues	1,090	-	1,090
Celebrity Management Revenue	300	-	300
Total Revenue	41,899	6,746	35,153

Revenues from film productions relate to the transfer of the rights to exploit the Intellectual Property carried out during the first half of the year. The revenues were recognized following the delivery of the cinematographic work to the customer and are recognized at a point in time and connected to services effectively contracted and provided during the period.

Estimated revenues are not recorded in the financial statements.

The break down of film production revenues is reported:

€/000	30/06/2020	31/12/2019	Change
The Poison Rose	90	2,500	(2,410)
Artic Friends Web Series	25,623	4,246	21,377
Puffins Web Series	13,654	-	13,654
Together Now	1,142	-	1,142
Total Revenues Film production	40,509	6,746	33,763

Revenues are mainly from non-EU customers, except for the revenues of The Poison Rose (90 thousand euros).

The company's performance is not overall significantly affected by seasonal phenomena associated with certain periods of the year.

Estimated revenues with reference to ADV and Post production revenues are not recognized in the financial statements. Celebrity Management revenues are equal to 0 as the purchase of 51% of the company R.E.D. Carpet S.r.l. was finalized on June 4, 2020.

Note n. 20 Other income

The item includes the income realized following the sale of the rights to receive the income due from the economic exploitation of the film Waiting for the Barbarians (€ 4,569 thousand) and the episodes delivered in 2018 of the WS Arctic Friends (€ 4,045).

€/000	30/06/2020	31/12/2019	Change
Transfer of Backend rights	8,614	-	8,614
Other income	2	18	(16)
Total other revenues and income	8,616	18	8,598

Consistent with the marginality of the audiovisual work, the recognition of the income resulted in the recognition of the tax credit share of € 2,232 thousand and an adjustment of the capitalized values in intangible assets of € 6,618 thousand.

Note n. 21 Tax Credit

The item consists of the cinema production tax credit and 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.

Note n. 22 Service costs

The item Costs for services and the relative comparison with the balances of the previous year are detailed in the following table:

€/000	30/06/2020	31/12/2019	Change
ADV costs	503	181	322
Travel and transfers	29	81	(52)
Miscellaneous administrative expenses	176	90	86
Bank fees	34	5	29
Technical consultancy	207	136	71
Marketing costs	6	178	(172)
Insurance costs	22	-	22
Directors' Fees	125	39	86
Rentals and leases	35	14	21
Board of Auditors' Fees	60	16	44
Other film production expenses	50	-	50
Other costs for services	-	38	(38)
Total Costs for services	1,247	778	469

Note n. 23 Amortization, Depreciation and write-downs

The item Depreciation, Write-downs and provisions and the relative comparison with the balances of the previous year are detailed in the following table:

€/000	30/06/2020	31/12/2019	Change
Amortisation and write-downs of intangible fixed assets	41,601	5,725	35,876
<i>The Poison Rose</i>	422	2,228	(1,806)
<i>The Artic Friends WS</i>	23,950	3,497	20,453
<i>Puffins WS</i>	13,121	-	13,121
<i>Waiting for the Barbarians</i>	3,221	-	3,221
<i>Together Now</i>	862	-	862
<i>Other rights</i>	18	-	18
<i>Other intangible assets</i>	7	-	7
			-
ROU Assets Depreciation	7	-	7
Depreciation	9	-	9
Total Depreciation, Amortisation and write-downs	41,617	5,725	35,892

Note n. 24 Financial income and expenses

The item Financial expenses and the relative comparison with the balances of the previous year are detailed in the following table:

€/000	30/06/2020	31/12/2019	Change
Exchange gains	464	249	215
Other financial income	-	166	(166)
Total financial income	464	415	49
Interest payable on loans	153	184	(31)
Losses on currency exchange	631	216	415
Other financial charges	77	-	77
Total financial expenses	861	400	461

Note n. 25 Income taxes

The breakdown of the item Income taxes is as follows:

€/000	30/06/2020	31/12/2019	Change
IRES	2,028	-	2,028
IRAP	362	6	356
Previous years' taxes	(110)	-	(110)
Deferred taxes	(270)	259	(529)
Total income taxes	2,011	265	1,746

The difference between the standard tax rate for IRES, equal to 24%, and the effective tax rate, equal to 17%, is mainly attributable to the combined effect of: (i) an increase in the depreciation of fixed assets intangible assets of € 14.8 million; (ii) decrease in revenues from public grants equal to Euro 4.9 thousand; (iii) decrease in the amortization rate of intangible fixed assets recovered for taxation in 2019 equal to € 13.7 million.

Note n. 26 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 year.

Diluted earnings per share are calculated by dividing the profit attributable to the Company's ordinary shareholders (after the adjustment to take into account the interest on bonds convertible into shares) by the weighted average number of ordinary shares outstanding during the year and 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-giu-20	30-giu-19
Weighted average number of ordinary shares for basic earnings per share purposes	22,392,941	1,120,000
Profit/(loss) for the year	9,598,021	2,673,432
Basic earnings per share (ordinary shares)	0.43	2.39
Bonds convertible into ordinary shares	1,574,642	-
Diluted earnings per share (ordinary shares)	0.40	2.39

Note n. 27 Other information

27.1 Related party transactions

The financial and economic transactions of the Group with related parties at 30 June 2020 are shown below:

	Trade Receivables	Other Assets	Trade Payables	Other liabilities	Revenues	Costs
	€/000	€/000	€/000	€/000	€/000	€/000
TATATU Enterprises Ltd	1,731	-	-	-	1,090	-
Total transactions with related parties	1,731	-	-	-	1,090	-
Total balance sheet items	28,796	89,628	36,289	82,134	55,488	43,487
Weight on balance sheet items	6%	0%	0%	0%	2%	0%

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

27.2 Commitments and guarantees given by the Group

The Group, as part of its commercial and financial activity, has not received and given guarantees.

27.3 Subsequent event

After 30 June 2020, there were no events or transactions that could have reflected on the condensed interim consolidated financial statements in question.

Events subsequent to 30 June 2020 refer to (i) the completion of the acquisition of R.E.D. Carpet S.r.l., (ii) the start of production activities in the Serbian republic, (iii) and the issuance of a bond loan of 8 million euros with a maturity of 7 years, aimed at supporting the industrial development plan.

With reference to the issue of a bond loan, the parent company Iervolino Entertainment, on 15 July 2020 placed a non-convertible, unsubordinated and unsecured bond loan, for a principal amount of € 8,000,000.00 (eight million / 00), fully subscribed by Intesa Sanpaolo SpA

The bond issue, completed by virtue of the contract signed between the issuing company itself, Intesa Sanpaolo SpA, as the initial subscriber of the Notes, and Banca IMI SpA, as the Arranger of the entire Transaction, took place through 80 nominal of Euro 100,000.00 (one hundred thousand / 00) each.

27.4 Transactions resulting from atypical and/or unusual operations

In the period between 01/01/2020 and 30/06/2020 no atypical and / or unusual transactions were carried out.



Iervolino Entertainment S.p.A.

Review report on the interim condensed consolidated financial statements as of June 30, 2020

(Translation from the original Italian text)

Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Board of Directors of
Iervolino Entertainment S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows and the related explanatory notes of Iervolino Entertainment S.p.A. and its subsidiaries (the "Iervolino Group") as of 30 June 2020. The Directors of Iervolino Entertainment S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Iervolino Group as of June 30, 2020 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Roma, 23 September 2020

EY S.p.A.

Signed by: Andrea Eronidi, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers