



Half-Year Consolidated Financial Report as at 30 June 2021

Parent Company: IERVOLINO & LADY BACARDI ENTERTAINMENT S.P.A.

Registered office: Via Barberini no. 29 - 00187 - Rome

Registered in the Companies Register of: ROME

Tax code and VAT no.: 11636381003

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REPORT ON OPERATIONS OF THE ILBE GROUP FOR THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

- 1. Introduction**
- 2. The macroeconomic context and the reference industry of "Media & Entertainment"**
- 3. ILBE Group business model**
- 4. The activities carried out in the first half of 2021**
- 5. Backlog and projects under development**
- 6. Key figures and alternative performance indicators (APIs)**
- 7. Transactions with related parties**
- 8. Human resources**
- 9. Research and development**
- 10. Information on the main risks and uncertainties**
- 11. Significant events after the end of the period**
- 12. Business outlook**

**CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES AS
AT 30 JUNE 2021**

Half-year consolidated statement of financial position

Statement of consolidated comprehensive profit/(loss) for the half-year

Half-year consolidated statement of changes in shareholders' equity

Half-year consolidated cash flow statement

- 1. Corporate information**
- 2. Drafting principles and changes in the Group's accounting policies**
- 3. Operating Segments: Disclosure**
- 4. Explanatory notes**

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

REPORT ON OPERATIONS OF THE ILBE GROUP FOR THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

1. Introduction

The condensed half-year consolidated financial statements as at 30 June 2021 of the Iervolino & Lady Bacardi Entertainment Group (hereinafter also the ILBE Group or Group) represent the second consolidated financial statements and include the parent company Iervolino & Lady Bacardi Entertainment S.p.A. (formerly Iervolino Entertainment S.p.A.) and the investments in Arte Video S.r.l. and Arte Video Llc, R.E.D. Carpet S.r.l., Iexchange S.r.l. and Iervolino Studios d.o.o. with a minimal change (Arte Video Llc) compared to the scope of the previous year.

The Parent Company, following the resolution of the shareholders' meeting of 23 June 2021, changed the company name to "Iervolino & Lady Bacardi Entertainment S.p.A.", in short with the abbreviation "ILBE S.p.A." to receive greater and greater attention from foreign markets. The decision to include the name of Lady Monika Bacardi, an important name at international level, is to be considered within this framework: she is a female entrepreneur, our major shareholder and producer of all our projects, who has always strongly believed in the Company and in the Group.

This was followed by a real rebranding process, which saw the creation of a new logo inspired by the structural elements of the film reel: a harmonic system of letters, of geometries that communicate by means of joints and links, to evoke the connection, the union, the compactness of ideas, people, society.

The renewed ILBE brand expresses at the same time the plurality and the dynamism of the international company: the brand was designed in a "reassuring" framework that makes the graphics stable and solid, as well as dynamic at the same time, through the changing contents.

The half-year consolidated financial statements as at 30 June 2021 closed with total revenues of € 114,170 thousand, with an increase of € 58,682 thousand compared to the first half of 2020 (+106%).

In the first half of 2021, EBIT, before non-recurring charges for € 899 thousand, was equal to € 15,903 thousand, up by € 3,722 thousand on the same period of 2020 (+31%).

These excellent results derive from the strategic decisions of:

- (i) Investing in quality Intellectual Properties;
- (ii) choose of an essentially international market, mainly to be enjoyed by the public via streaming;
- (iii) Prioritising growth and value creation over time compared to greater short-term profitability;
- (iv) Investments and growth in the context of financial balance.

In this regard, the success of the "Arctic Friends" and "Puffins" collections at the top of the list of the Apple TV and Amazon Prime Video subscribers has validated the choices made.

Conversely, the effects of the COVID-19 pandemic were limited and essentially consisted of (i) an increase in non-recurring costs for production in "smart-working" mode, equal

approximately to € 2,517 thousand, of which € 181 thousand and € 899 thousand accrued in the six months of 2020 and 2021, respectively; (ii) the cascade postponement of the production of films; and (iii) a postponement of the corresponding deliveries, which the Group responded to from 2020 with the anticipation of some productions of the "Arctic Friends" and "Puffins" web series and by revising its financial plans.

2. The macroeconomic context and the reference industry of "Media & Entertainment"

Some preliminary considerations on the evolution of future market trends related to the evolution of the COVID-19 pandemic

The restriction measures and the subsequent easing of some daily activities carried out by the Governments of most countries to contain the pandemic have led to changes in the behaviours, activities and wishes of the public, some of which will, probably, last as they represent the acceleration of dynamics already underway.

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

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

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

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

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

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

The macroeconomic and market context: an industry undergoing restructuring at global level

2021 presents itself to the operators of the "Media & Entertainment" market with an overview that has been permanently changed by the pandemic. Consumers have adopted new habits and preferences, while the impacts that hit the industry in the previous year increased.

As we slowly move into a post-COVID-19 world, some structural trends generally accepted by the observers of market dynamics must be carefully taken into account.

At global level, the Media & Entertainment industry can be considered as under renovation. The majority of research activities and studies at global level show that the most industry executives believe that they can no longer rely on traditional business models to drive future growth, highlighting an imperative strategic and operational reinvention.

The COVID-19 impacts have accelerated and amplified the long-standing secular changes, including the growth of streaming, the decreasing use by users of multi-channel television services available via cable or satellite in response to competition from the media available on the Internet (so-called cord-cutting effect), the lower presence at cinemas and the greater attention of media consumers for the price to value ratio. COVID-19 has also caused short-term cyclical shocks. Lockdowns and travel restrictions have obstructed virtually all companies that rely on the physical aggregation of people. Industry executives are responding by taking bold measures to reposition their companies and align them with the new market scenarios.

The consolidation catalysts for the companies in the Media & Entertainment market are clearly defined. In particular, they include the strategic need to acquire content to feed the streaming growth and the tactical reality that increasing size enables efficiencies and unlocks incremental investment capital.

Companies in the sector that lack scalable elements to increase efficiency are faced with a crucial choice: trying to move forward alone over troubled waters or moving quickly to bond themselves with a similarly positioned peer to improve competitive and financial positioning. Moreover, they must also set their strategy while navigating the uncertainty arising from the pandemic.

In the future, at global level, we will probably see further aggregation transactions that will involve the owners and studios of medium and small-sized networks, motivated by the need to create critical mass to finance the investment in content, marketing and technology needed to pivot towards a direct-to-consumer model.

The value of connection quality

Cable companies are achieving record results from their high-speed data offerings as consumers rely more than ever on fast Internet connectivity for work, school and entertainment.

Pay TV packages, which were in the past the cornerstone of the relationship with subscribers, are de-emphasized in favour of broadband speed levels and other related services. According to the Digital Home study of an important international consulting firm, 40% of respondents buy Internet-only packages from cable companies, with an increase of 8% on an annual basis, further strengthening market dynamics.

In the future, cable companies will seek to expand more deeply into households by implementing a wider suite of products that are based on the main Internet connection, including in the adjacent areas of "smart homes" such as home security, a variety of connected devices - thermometers, doorbells, household appliances - and potentially telemedicine applications.

Further integration into the households makes good strategic sense for cable companies as wireless providers begin to roll out large-scale 5G networks.

Returning to events in person

In-person events will see a robust return as the human need for shared experiences remains extraordinarily powerful. We are already seeing this in selective sporting events where limited crowds have returned to stadiums to cheer for their teams. Even in this way, in the absence of a fully distributed COVID-19 vaccine, mitigation strategies will be required when fans return. This will change the dynamics of events and potentially open up new innovative channels to improve the consumer experience.

Corporate conferences will continue to use digital platforms to extend reach and include remote participants who remain wary of business travel. The music venues will push forward with creative audience layouts to encourage participation, while promoting interactive options. Large stadiums will use their vast capacity to design blocks of tickets that meet physical distancing guidelines. Theme parks will promote security measures and offer attractive offers to guide admissions.

While acting as a bridge towards a complete reopening, these solutions will also keep the public engaged and establish new multi-channel and personalised connections - mobile and powered by sophisticated data analysis - that will become part of the consumer value proposition.

eSports and videogames

eSports and videogames will be based on a user base that has multiplied in size during the pandemic. When sporting events were closed, teams, leagues, athletes and promoters embraced eSports competitions involving simulations of real-life events to keep fans engaged and fill streaming slots.

From car racing to basketball, cycling and even horse racing, millions of people have tuned in to virtual events, opening up a broad new path of consumer engagement that is expected to grow in 2021.

Meanwhile, videogame revenues have almost doubled over the past five years. The launches of new games by publishers, combined with the growth of microtransactions and in-game advertising, are leading to another record year for the industry. The following versions of the next generation consoles and the launch of game cloud streaming services will further fuel demand also in 2021.

Success will depend on industry leaders adapting strategies to deal with unforeseen market opportunities and threats. With disruption being a constant element, the only way to survive and thrive in exceptional circumstances is to build systemic agility and perform at lightning speed.

In the future, companies will be successful not because they are better at predicting future market dynamics, but because they are able to better manage a broad ecosystem of internal talents and external partners and to act in a timely and confident manner.

The effects related to the COVID-19 pandemic and on future market trends on ILBE Group activities

Trying to contextualise the macroeconomic effects and market trends outlined above, what follows illustrates the effects on the activities of the ILBE Group.

a) Activities for the year 2021

With reference to the restrictions linked to the outbreak of the COVID-19 pandemic, the productions of the ILBE Group, being mainly intended for streaming platforms, did not suffer significant effects, essentially referring to the non-recurring expenses incurred for the activation of the operating smart-working mode (from home with technological adaptations) for the production of cartoons and some limited postponements of filming.

b) Business outlook

The productions of the ILBE Group will be increasingly focused on the use of streaming platforms and with social impact content following the megatrends mentioned in the paragraph on the evolution of the media market.

Since these aspects already characterise the Group's core business, there are immediate expectations of increasing growth opportunities.

3. ILBE Group business model

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

The Group's activities from which the related revenues derive are:

- ✓ production of films and audiovisual content;
- ✓ use of rights and IP in the portfolio. In particular, as part of the "animation" products, the license of characters and pipelines (processes and processing methods for the production of animated content) in addition to the use of distribution rights;
- ✓ service activities, i.e. executive production carried out for other producers;
- ✓ post-production, activity carried out by the subsidiary Arte Video S.r.l., which is also the official encoding house of Apple iTunes, GooglePlay, Sony Entertainment, Amazon Prime Video, Microsoft, and Rakuten;
- ✓ casting, celebrity management and production of digital ADV content carried out by the subsidiary R.E.D. Carpet S.r.l.

The production of films and audiovisual content is the main activity of the Group carried out by the parent company ILBE, but also by the subsidiaries.

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

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

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

Revenues and income from the production of films and audiovisual content (TV series) are divided into four main categories:

- ✓ Revenues from the sale of the so-called guaranteed minimum right (GM) to the sales agent or distributor that represent the majority of the revenues of a work; these revenues are realised upon delivery to the customer. The actual production period can last from four to seven months for web series to ten to eighteen months for films whose duration varies in relation to the intrinsic characteristics of the individual works;

Generally speaking, GM collection takes place between five and six months after delivery to the customer, but also after a period of more than one year. In the latter case, the higher participation in the income of the film offsets the higher financial exposure;

- ✓ Government grant income (tax credit or other contributions to the production costs) that is recognised at the time revenues from the sale of international distribution and back-end rights are realised, having regard to the reasonable certainty of their collection.

The collection takes place, on average, eighteen months from the commercial delivery of the work.

- ✓ Revenues deriving from the portion pertaining to income subsequent to the GM (so-called backend, of which the majority obviously pertains to the distributor). In this case, these are revenues that are recognised when they are realised, i.e. the collection that generally takes place over a long-term time horizon; or, in the case of assignment to third parties, at the time of assignment of the related rights.

Revenues from the backend are collected at the time of realisation, which normally takes place over a long-term time horizon;

The backends of the web series include also the licenses of characters and pipelines both in Italy and abroad, which, in this case of works, generate the majority of revenues subsequent to the guaranteed minimum of distribution. The following should be included in this context: (i) the activities of Iervolino Studios d.o.o. (Serbia) for the production of episodes related to the Puffins: Impossible web series, for which the production of several episodes is planned for the commissioning producer, in line with the development plan; (ii) the licensing of characters and processes and processing methods for animated production. These investments then obtain the indirect benefit of enhancing and making the proprietary IPs even more commercial, thus with the possibility of creating new business lines through their commercial use, such as merchandising or videogames.

It should also be noted that the latter transactions are generally part of overall agreements with the producer that envisage also significant investments by the Group in distribution

rights for the works that will be carried out. If on the one hand this increases the quantity and quality of the library of the Company's distribution rights that will result in collections in future years, on the other hand it has a financial absorption effect that reduces the collection deriving from the sale of the rights of the pipeline, i.e. other rights.

- ✓ Income from distribution rights.

The cost of sales of films and audiovisual content, recognised in the three types of revenue mentioned, is given by the portion pertaining to the year of the amortisation of the projects whose costs, during the production phase, are recorded under intangible assets. These investment costs are paid very quickly.

Amortisation is calculated according to the international accounting standard described in the explanatory notes, i.e. the "film forecast computation method", according to which it is calculated on the time horizon over which the intangible asset will generate revenues. The amortisation period, based on the specific characteristics of the individual existing productions, is set at maximum four years. Consequently, at the end of the fourth year the work will have a net book value of zero even if it will not have terminated the ability to generate cash through the backends in subsequent years.

Revenues and margins from Group activities other than the production of films and audiovisual works are recorded on an accrual basis according to the production carried out.

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

- ✓ Film productions, including right and service use activities (production activities carried out on behalf of third parties - the end Intellectual Property is not owned by the Group) and post-production; These activities are carried out in all Group companies;
- ✓ Digital delivery activity. This activity is part of the activity carried out by Arte Video.
- ✓ Celebrity management, casting and production of digital ADV content. This activity is a part of the activity carried out by Red Carpet.

4. The activities carried out in the first half of 2021

Productions

With reference to operating activities, the following production activities of the Parent Company ILBE should be noted:

Arctic Friends (formerly Arctic Justice)

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

The series consists of mini-episodes of 5 minutes each. For a better distribution of the product

on global platforms, it was then decided, in agreement with the distributor, to use, as in other successful cases such as Minions and Tom and Jerry, a universal language consisting of sounds and noises, thus avoiding dubbing in the different local languages.

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

During the year, 68 episodes were produced and delivered, resulting in the recognition of revenues for a total of € 49,041 thousand (including the pertinent government grants) in addition to back-end revenues, revenues from production pipeline licensing and character licensing for a total of € 22,862 thousand.

Distribution is by "Collection" (consisting of 4 episodes) on the Apple TV and Amazon Prime Video platforms, for viewing in around 80 countries.

In particular, the distribution is for *Apple TV* in: Anguilla, Antigua and Barbuda, Argentina, Armenia, Austria, Azerbaijan, Bahamas, Belarus, Belgium, Belize, Bermuda, Bolivia, Botswana, Brazil, British Virgin Islands, Brunei, Bulgaria, Cambodia, Canada, Cape Verde, Cayman Islands, Chile, Colombia, Costa Rica, Cyprus, Czech Republic, Denmark, Dominica, Dominican Republic, Ecuador, El Salvador, Estonia, Fiji, Finland, France, Gambia, Germany, Greece, Grenada, Guatemala, Guinea-Bissau, Honduras, Hong Kong, Hungary, Ireland, Israel, Italy, Laos, Latvia, Lithuania, Luxembourg, Macau, Malta, Mauritius, Mexico, Micronesia, Moldova, Mongolia, Mozambique, Namibia, Netherlands, Nicaragua, Niger, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Saint Kitts and Nevis, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Swaziland, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Trinidad and Tobago, Turkmenistan, Uganda, United Kingdom, United States, Venezuela, Vietnam and Zimbabwe; while for *Amazon Prime Video*, the regions involved are the USA, UK, Japan and Germany.

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

Puffins

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

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

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

The debut on Apple TV was also significant for the Puffins, where the first season was ranked

first in Italy in the family-friendly segment.

In the first half of 2021, 59 episodes were produced and delivered to the customer, resulting in the recognition of revenues for a total of € 26,540 thousand (including pertinent government grants).

A further 61 episodes are expected to be produced in the second half of the year.

Tell it like a woman (formerly Together now)

"Tell it like a woman" is a live action and animation, all-female project produced by ILBE: this film consists of 7 shorts lasting 15 minutes each whose main theme is a story based on animation scenes that represent a significant part of the project. The film, directed by 8 female directors from different parts of the world, encompass different genres, ranging from drama to comedy to docudrama and animation, and starring actresses of international fame.

In 2021, the project entailed the recognition of revenues related to the production and delivery to the customer of the last segments of the film, "A week of my life " "Elbows Deep" and "Pepcy & Kim", for a total of € 2,573 thousand (including the pertinent government grants).

"Elbows Deep" was filmed in January 2021 in Los Angeles, is directed by Catherine Hardwicke and stars Cara Delevingne and Oscar-winning actress Marcia Gay Harden. "Pepcy & Kim" was filmed in the US and is directed by Taraji P. Henson and stars Jennifer Hudson. "A week of my life" was filmed in Japan, directed by Mipo O and stars Ann Watanabe.

Productions in progress

Eddie & Sunny

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

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

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

The film directed by Desmond Devenish and starring US actor Gabriel Luna (known for his role in Terminator: Dark Fate).

Shooting took place in and around Rome and then continued in Guatemala. The delivery of the film (3D part) is expected in the second half of 2021.

State of Consciousness

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

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

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

The delivery of the film is expected in the second half of 2021.

Dakota

Dakota is a film directed by Kirk Harris and written by Johnny Harrington.

SYNOPSIS: When marine Clet Sanders tragically dies in Afghanistan, sergeant TJ Malcom keeps his promise to bring home Dakota, Clet's best friend and fighting dog. Clet's wife, Kate, is fighting to maintain ownership of the family farm, while the local sheriff knows that Kate's land is valuable and will stop at nothing to seize it. With the help of TJ, her daughter, her father and her new friend Dakota, Kate will discover the true value of the family farm and friendship.

Casting Abbie Cornish ("*Three Billboards Outside Ebbing, Missouri*", "*Limitless*", "*Bright Star*", "*Geostorm*"); Lola Sultan ("*Yes Day*", "*Bernie the Dolphin*"); William Baldwin ("*Backdraft*", "*Sliver*"); Patrick Muldoon ("*The Comeback Trail*", "*Starship Troopers*") and Tim Rozon ("*Instant Star*", "*Schitt's Creek*", "*Winona Earp*").

The film was shot between Italy (province of Bari) and Los Angeles, and will be qualified as an Italian film, thus benefiting from the legislation on "Tax Credit" and the rules on European quotas for exports to Chinese territory.

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

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

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

IP and distribution rights

The IP and distribution rights item, where the capitalisation of the costs incurred for the acquisition of the distribution rights of the films in Italy and abroad and of the rights relating to Intellectual Properties, increased by € 5,016 thousand mainly due to the acquisition of the

worldwide rights of the film *The Good Witch of Christmas* and *Christmas Thieves*.

Service activities including licenses for the use of Intellectual Properties

The assets in question totaling € 32,830 million, including the animated series *Puffins* impossible and the films *"Spin me round"*, *"Vote for Santa"* and *"The Christmas Witch"*, include also the sales of licenses for the use of Intellectual Properties relating to licenses of the rights to use the animation production process (pipeline). In particular, there are 34 projects in total relating to works with a "family" subject, which have been, or will be, carried out by a number of national and European producers.

Post-production activities

The film post-production and the service for the streaming platforms for the video on demand are the reference activities of Arte Video S.r.l., a company recognised as "Official Encoding House" by the most important brands in the sector, such as Apple iTunes (Apple iTunes Preferred, one of 7 companies in the world), GooglePlay, Sony Entertainment, Amazon Prime Video, Disney+, Microsoft and Rakuten. In addition to developing and implementing projects in the film and video production and post-production sector, it performs services for the creation of printing matrices for DVD and Blu-ray, both in High Definition and Ultra High Definition with exclusive technology in Italy (and a few others in the world, such as Disney) for Java programming; it has systems for the creation of the DCP (Digital Cinema Package) film projection matrices, the creation of KDMs (DCP matrix de-encryption keys) for cinemas and, finally, creates 2D and 3D animations.

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

The constantly developing video streaming sector is characterised by aggregators that rely on Arte Video for the management of film packages, including WarnerBros, RaiCom, Minerva, Koch Media, CG ENT, Sweet Chili Ent, Under The Milkyway, Pathè, which have chosen the company for the quality of the checks carried out on the video/film masters before they are placed on the market and the technologies applied to obtain finished products. The DVD and Blu-ray sector sees the company supporting several Italian distributors. The film *Parasite*, winner of 4 Academy Awards, was made entirely in the company's studios and was produced for DVD, Blu-ray HD Java and Blu-ray UHD Java.

In addition, the company has developed activities in the film post-production sector for graphic animation for the cartoon series such as *Puffins* and *Arctic Friends* (which have been in Apple TOP 10 for several months). The 2D -> 3D coding process for the various mobile devices on the market envisages 3D creations in various formats (Anaglyphic Red/Cyan, Anaglyphic Green/Magenta, SideBySide and Top/Bottom) for dozens of devices per single episode or film; coding carried out internally with an exclusive license for the Italian territory.

In addition to 3D animation, which will see further developments with new formats for the next three years, the company has completed/is working in the Post Production of several films (both for the parent company and for other end customers such as, for example, Minerva and

Fenix Entertainment Spa), such as Christmas Thieves, Eddie & Sunny, State of Consciousness, The Christmas Witch, Vote for Santa, Dakota and a few weeks ago the film Muti with Morgan Freeman.

With the launch of these service activities, the company increased also the workforce in the various locations, reaching about thirty people hired permanently and on a project basis.

With the entry into the ILBE group, in addition to the historic headquarters in Palmanova (UD), the operational headquarters in Rome at Via Tiburtina 521 were opened at the "STUDIOS", and in March 2021 the headquarters in Pasadena California (Hollywood area) of the subsidiary Arte Video LLC, allowing it to access the US market with its services.

Casting, celebrity management and digital ADV content production

Casting, celebrity management and digital ADV content production are carried out by the subsidiary R.E.D. Carpet S.r.l. (hereinafter also Red Carpet).

In the first half of 2021, Red Carpet confirmed the positive trend achieved in the second half of 2020, despite the pandemic. In fact, during these months, the Company maintained and increased its past customers, acquiring new ones and opening up new scenarios with the latter. The main objectives achieved are as follows:

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

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

- ✓ Disney+ relied on Red Carpet to identify a Testimonial for the launch of the new STAR section within the Platform; for this important television commercial we identified and hired Andrea Pirlo as the perfect Ambassador and ideal face to work alongside the actor Stefano Fresi. The commercial was produced by Groenlandia Film, directed by Sidney Sibilia. At the launch of Star, A. Pirlo shared also original content on its official social accounts.
- ✓ Rai Pubblicità with which Red collaborated in the Brand Integration project "The Unbreakable", hiring the international star James Blunt to participate in an event at the lighting of the Olympic torch at the Tokyo Olympics. The British singer-songwriter accompanies an unprecedented and exciting monologue of five Olympic champions participating in the cross-media project "The Unbreakable", developed from an original format of The&Partnership: Bebe Vio, Arianna Fontana, Clemente Russo, Vanessa Ferrari, Francesca Piccinini, extraordinary people who have faced and overcome physical or emotional challenges with courage, and have dealt with failure or adversity by becoming stronger than before.
- ✓ Filming of the See Sicily commercial for the Sicilian Region aimed at promoting tourism during the 2021 summer season: the collaboration was confirmed through the subsequent

engagement for the development of a second commercial dedicated to the Bellini Festival. In particular, Red Carpet collaborated with Itaca Comunicazione for the selection of talents for the new national and international ADV campaign of the Region. Red Carpet has identified four Sicilian personalities as testimonials for the promotional videos of the Region: Eleonora Abbagnato, Colapesce and Dimartino, Nicole Grimaudo and Carlotta Ferlito. The commercials were filmed in places highly representative of the Sicilian essence and made to relaunch tourism in the island after the health emergency. The cross-media campaign, on air starting from 6 June, broadcast on the main Italian television networks (RAI, Mediaset, Sky, Discovery, TV2000 and LA7), out-of-home advertising in many cities of the country and tabular advertising in national and international newspapers.

- ✓ Sport e Salute entrusted the Company with the communication, the “brand identity” and the special activities related to the launch of the Street Skate Boarding World Championships, held in Rome in May 2021. This involved creating content for social channels, activating media partnerships and involving influencers and personalities from the entertainment.
- ✓ Through the collaboration with Lebonski Management (Company that holds the image and music rights of Salmo), the creation of our first musical documentary during the Water World Music Festival, a music event organised by LBNSK360, record label of the rapper Salmo, which was held on Sunday 25 July 2021 off the coast of Marina di Cala dei Sardi, a bay of the Costa Smeralda located in the Gulf of Cugnana (Olbia, Sardinia). The rights to the documentary were sold to Amazon Prime Video Italia. One of the activities carried out was finding sponsors for the event including 2 of our new customers as Title Sponsors - Mini and main sponsor - GLO Italia. A real Boat Party: a floating stage set up in the middle of the sea, to host the performances of various Italian artists of the moment, including the host Salmo. The public attended the concert on board about 200 boats that were positioned around the stage, forming a real arena on the sea.
- ✓ Red Carpet confirmed also its partnership with Ferrero in 2021, developing various social activities during these months for the different brands of the group, in different moments of communication: Kinder Cioccolato, Kinder Pentolaccia, Kinder Applaydu, Nutella Day, Nutella Biscuits. La Pina, Rudy Zerbi, Daniela Collu, Federico Russo, Juliana Moreira, Alessia Mancini and Guglielmo Scilla are just some of the Talents who have embraced the philosophy of the Ferrero Group.
- ✓ The Company has identified Willwoosh (Guglielmo Scilla) to perfectly embody the #iovivoOriginal campaign, conceived by the customer Borotalco. The activity was developed on the official social media profiles of the brand and Talent, which involved the fanbase in a survey and a competition using the Twitch platform.
- ✓ Digital and ADV activities saw a significant increase, acquiring new customers such as McDonald's, Dixan, ACE Candeggina, Tempo and Dyson. In particular:
 - Mc Donald's: Red Carpet consolidated its collaboration with McD through various projects: first of all through the involvement of Frank Matano for the campaign dedicated to the McDrive service; subsequently through creating and implementing the Mc Chicken Challenge project, involving Frank Matano, Guglielmo Scilla, Tess Masazza and Valeria Angione; finally, an event entirely dedicated to the McChicken Variation activity in collaboration with Giallo Zafferano, where we involved the talented Guglielmo Scilla to acted as speaker.
 - Dixan: Red Carpet identified Laura Chiatti as the new 2021 campaign testimonial, supporting the brand in the management, contracting and logistics of the TV commercial.
 - ACE Candeggina: Red Carpet for the communication campaign identified three talent couples: Marco Fantini/Beatrice Valli, Edoardo Stoppa/Juliana Moreira and Andrea Dianetti/Adriano Bettinelli. The creativity “The Switch” was developed on a very entertaining concept: in fact, the couples challenged each other on some household chores, including doing laundry with Ace Gentile.

- Tempo: Red Carpet scouted for the communication campaign of the Tempo brand "Boys do cry", with the choice of Julia Elle as talent. The goal of the campaign was to debunk the concept that people should, mistakenly, keep everything inside... avoiding to cry. The content was shared on the profile www.instagram.com/disperatamentemamma.
- Dyson: Red Carpet won the trust of the British brand, obtaining several engagements during the year. We supported the brand in celebrity endorsement activities to promote different products related to the "Personal Care" and "Floor Care" areas. Products were promoted by very famous actors such as: Vanessa Ferrari, Carolina Crescentini, Luca Argentero, Greta Ferro, Matteo Curti, Cristina Marino, Willwoosh and Eva Riccobono.

Internationalisation: development of activities in the Republic of Serbia

The Group operates in Serbia through the wholly-owned subsidiary Iervolino Studios d.o.o. with operating offices in Belgrade and Novi Sad, with approximately 80 employees and about 30 external collaborators as at 30 June 2021, with these figures destined to increase consequently to the expected growth in production for both animated episodes and films with a combination of animated parts.

The main contract of the Company is an executive production (service) on behalf of the producer Archangel Digital Studios, the Serbian company of the Serbian actor and producer Milos Bikovic (very popular in the former Yugoslavia and Russia, often awarded at national festivals), for the production of animated content.

These existing agreements provide for Archangel Digital Studios to obtain the right to use the copyrights of the animated characters of the "Puffins" series ("Intellectual Properties of animated characters") and to the process for the production ("Pipeline") of the animated web series by ILBE. The Group, for its part, will invest in the project and, through the Serbian subsidiary Iervolino Studios, will provide the executive production (service) of the new episodes of the series called "Puffins: impossible".

The contracts in place relate to the first 36 episodes. However, in relation to those to be signed as part of the framework agreement, the pre-production activity of 54 episodes was completed and the activities of a further 54 episodes began.

In the first half of 2021, the production of service activities amounted to approximately € 6,583 thousand.

5. Backlog and projects under development

Backlog

At the date of approval of these condensed half-year consolidated financial statements as at 30 June 2021, the contractual production portfolio (guaranteed minimum revenues still to be produced), totalling € 44.2 million, is broken down as follows:

Last episodes of Puffins expected to be delivered by 31 December 2021 for approximately € 23.2 million; residual 3D production of the film Eddie & Sunny for approximately € 1.3 million expected to be delivered in the second half of 2021; residual production of the film Dakota expected to be delivered between the end of the year and the first half of 2022; production of the film Muti for around € 12 million to be developed in the second half of 2021 and the first half of 2022. The film,

which began shooting in August, stars Academy Award winner Morgan Freeman and is directed by George Gallo, Francesco Cinquemani and Luca Giliberto. Filming, which began in Mississippi (USA), will subsequently continue in Italy. ILBE signed agreements with RedBox Entertainment for distribution in the US and Canada and with WWPS for worldwide distribution (excluding Italy, US and Canada). The production will bring guaranteed minimum revenues for ILBE for the activities carried out both in the USA and in Italy, for a total of approximately € 12.1 million. Synopsis of the film: *Unable to process the mourning for the death of his daughter, Detective Lukas, a few days after retirement, starts a dramatic hunt for a mysterious serial killer who kills according to a brutal tribal ritual: Muti. The only one who can help Lukas is Professor Mackles, an anthropologist of African origin who hides an unspeakable secret.* The film, shot between Italy and the United States, will be qualified as an Italian film, thus benefiting from the legislation on "Tax Credit" and the rules on European quotas.

Projects under development

The projects under development relate to the following future activities that the Group will reasonably develop in the next three years '22 - '24 and amount to a rough estimate of assets of € 349 million. The three-year business plan, which will be prepared and approved by the Board of Directors, will take into account both these updated estimates and the reasonable forecasts of additional revenues expected from development activities not yet broken down into individual projects.

In particular, the activities of the projects under development are as follows:

Production activities

The activities that see the ILBE Group as producer in the next three years are, to date, estimated at € 150.5 million, broken down as follows:

- ✓ The production of new web series relating to animated characters in the portfolio starting from 2022 for approximately € 105 million to be developed over the next three years.
- ✓ Audiovisual projects under development in which the Group decided to invest starting from the current year. To date, around 16 projects are under development for a maximum estimate of € 26.6 million to be developed over the next three years.
- ✓ Feature film projects. To date, around 7 projects are under development for a maximum estimate of € 18.7 million to be developed over the next three years.
- ✓ "Unscripted" projects. To date, approximately 3 projects are under development for a maximum estimate of € 0.250 million to be developed over the next three years.

Service activities (executive production) and licensing

The activities that see the ILBE Group as a service provider, including the IP licensor, to a third-party producer are currently estimated at € 198.7 million for the next three years, broken down as follows:

- ✓ The production of new "Puffins: impossible" episodes in the studios in Serbia on behalf of a local producer and intended for international distribution for a maximum estimate of € 78.7 million to be developed over the next three years.

- ✓ IP service and licensing projects for national and international customers for a maximum estimate of € 120 million to be developed over the next three years.

Digital delivery activities, celebrities management and digital ADV

The activities of these two CGUs developed by the subsidiaries Red Carpet and Arte Video, based mainly on revenues and recurring contracts, are expected to grow sharply and activities with third parties for around € 15 million for the three-year period '22 - '24 are reasonably expected.

6. Key figures and alternative performance indicators (APIs)

The key figures described in this Report on Operations refer to the half-year consolidated financial report of the ILBE Group as at 30 June 2021, drafted according to the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union.

Therefore the report must be read in conjunction with the Schedules of the half-year consolidated financial report and the corresponding explanatory notes as at 30 June 2021.

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

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

- ✓ these indicators are based exclusively on historical data of the Group and are not indicative of its future performance;
- ✓ the APIs are not envisaged by IFRS and, although they are derived from the Group's consolidated financial statements, are not audited;
- ✓ the APIs should not be considered as a substitute for the indicators required by the reference accounting standards (IFRS);
- ✓ these APIs should be read alongside the financial information of the Group obtained from the Group comparative consolidated financial statements;
- ✓ as the indicators used by the Group do not derive from IFRS, their definition may not be the same as the one adopted by other groups and therefore may not be comparable with them;
- ✓ the APIs used by the Group are calculated with continuity and uniformity of definition and representation for the financial periods considered. Since amortisation of audiovisual works accounts for most of the Group's cost of sales, EBIT (gross of non-recurring charges) represents the indicator of operating income.

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

€/000	30/06/2021	30/06/2020	Change	% change
Revenues	114.170	55.488	58.682	>100%
Operating costs	4.406	1.562	2.844	>100%
Personnel expenses	1.767	309	1.458	>100%
Amortisation/depreciation, write-downs and provisions	92.094	41.436	51.557	>100%
EBIT	15.903	12.182	3.722	31%
% EBIT margin	14%	22%	n.a.	-8%
Non-recurring charges (recognised as amortisation/depreciation)	899	181	719	>100%
EBIT net of non-recurring charges	15.004	12.001	3.003	25%
Net financial expenses	1.905	401	1.504	>100%
Pre-tax profit	13.100	11.600	1.499	13%
Taxes	(750)	(2.011)	1.260	-63%
Net profit for the period	12.349	9.589	2.760	29%

The Group reclassified statement of financial position is provided below:

€/000	30/06/2021	31/12/2020
Assets		
Non-current assets		
Intangible assets	75.081	68.057
Trademark	359	359
Goodwill	75	75
Tangible assets	235	214
Deferred tax assets	6.710	6.289
Equity investments recognised at equity	18	18
Other non-current assets	2.324	2.334
Total non-current assets	84.802	77.345
Current assets		
Trade receivables	34.482	16.787
Tax credits	24.113	21.721
Current financial assets (investment funds)	4.419	4.348
Other current assets	8.025	6.367
Cash and cash equivalents	2.347	3.513
Total current assets	73.387	52.736
Total assets	158.188	130.082
Shareholders' equity	79.425	67.041
Non-current liabilities		
Employee benefits	178	181
Deferred tax liabilities	114	117
Provisions for risks and charges	300	300
Non-current financial liabilities	18.854	18.108
Total non-current liabilities	19.446	18.706
Current liabilities		
Current financial liabilities	5.245	5.379
Trade payables	40.475	25.289
Tax payables	2.316	1.625
Contractual liabilities	4.372	2.980
Other current liabilities	6.909	9.062
Total current liabilities	59.318	44.335
Total liabilities	158.188	130.082

The main Group equity and financial indicators are provided below:

Main equity and financial indicators - €/000	30/06/2021	31/12/2020
Intangible assets (including Trademarks and Goodwill)	75.515	68.491
Tangible assets	235	214
Other non-current assets	9.052	8.641
Fixed assets	84.802	77.345
Receivables from customers	34.482	16.787
Payables to suppliers	(40.475)	(25.289)
Other current assets/(liabilities)	18.540	14.421
NWC	12.547	5.919
EMPLOYEE SEVERANCE INDEMNITY	(179)	(181)
Other non-current liabilities	(413)	(417)
NIC	96.757	82.667
Shareholders' equity	79.425	67.041
Cash and cash equivalents	(2.347)	(3.513)
Financial assets (investment funds)	(4.419)	(4.348)
Financial liabilities	24.099	23.487
NFP	17.333	15.626
Sources of funds	96.757	82.667

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

€/000	30/06/2021	30/06/2020
A - Net flow generated/(used) from operating activities	71.740	16.785
B - Net flow generated/(used) from investment activities	(73.341)	(21.208)
C - Net flow generated/(used) from financing activities	435	(1.623)
D - Total cash flow generated/(used) in the period (A + B + C)	(1.166)	(6.047)
E - Cash and cash equivalents at the beginning of the period	3.513	8.225
F - Cash and cash equivalents at the end of the period (D + E)	2.347	2.179

A breakdown of the Group NFP is provided below:

Net financial position - €/000	30/06/2021	31/12/2020
Cash and cash equivalents	(2.347)	(3.513)
Liquidity	(2.347)	(3.513)
Financial assets (investment funds)	(4.419)	(4.348)
Bank payables	24.099	23.487
Net financial indebtedness	19.680	19.139
Debit NFP	17.333	15.626

Management performance and economic and financial results

The first half of 2021 closed with a Group net profit of € 12,349 thousand, an increase of 29% compared to € 9,589 thousand of the same period in 2020.

From an operational standpoint, the EBIT of the Group before non-recurring charges was equal to € 15,903 thousand, up by 31% compared to € 12,181 thousand of the same period in 2020.

The result derives mainly from revenues from the sale of the rights of the film and audiovisual works and "government grant" minus the related sales cost, essentially consisting of the amortisation of intangible assets (film and audiovisual works) equal to € 92,993 thousand (€ 41,617 thousand in the first half of the 2020 financial year), given the low incidence of overhead costs, equal to € 3,623 thousand (€ 1,870 thousand in the first half of the 2020 financial year).

From a management perspective, EBIT for the first half of 2021 represents 14% (22% in the first half of 2020) of total revenues, equal to € 114,170 thousand (€ 55,488 thousand in the first half of 2020).

Operating revenues and income, including government grants recognised on an accrual basis with regard to the productions to which they refer, mainly relate to the productions Arctic Friends (€ 49,041 thousand), Puffins (€ 26,540 thousand), and Tell it like a woman (€ 2,573 thousand).

Revenues from licenses to use the pipeline (processes and processing methods for the production of animated content) and the license to use animated characters amounted to a total of € 25,797 thousand (completely new item in the year)

Audiovisual productions (web series) represent 66% (94% in the first half of 2020) of revenues, IP and service licenses for 29% (not present in the first half of 2020) and film productions for 2% (3% in the first half of 2020). Other revenues are marginal.

From a financial point of view, the net invested capital of the ILBE Group consists mainly of intangible assets (films, intellectual properties and other rights) for € 75,515 thousand; other fixed assets were equal to € 9,287 thousand while the net working capital was positive and equal to € 12,547 thousand. Other non-current liabilities amounted to € 592 thousand.

The resulting net invested capital was equal to € 96,757 thousand, up by € 14,091 thousand with respect to the balance as at 31 December 2020 of € 82,667 thousand and is financed by the negative net financial position of € 17,333 thousand (€ 15,626 thousand as at 31 December 2020) and shareholders' equity of € 79,425 thousand (€ 67,041 thousand as at 31 December 2020).

The Group's net working capital was positive for € 12,547 thousand, up compared to the positive balance as at 31 December 2020 of € 5,919 thousand.

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

From a financial point of view, cash and cash equivalents as at 30 June 2021 were equal to € 2,347 thousand, down by € 1,166 thousand compared to the balance at the beginning of the period (€ 3,513 thousand).

Adding the net difference between financial assets and liabilities to the balance of cash and cash equivalents, the net financial position as at 30 June 2021 shows a negative balance of € 17,333 thousand, up by € 1,707 thousand compared to the balance as at 31 December 2020.

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

The change in cash and cash equivalents, equal to € 1,166 thousand, is the result of funds generated by financing activities (€ 599 thousand) and those absorbed by investment activities in audiovisual works (mainly Arctic Friends, Puffins, Puffins impossible, Dakota, Eddy & Sunny and State of Consciousness) and in the preliminary activities towards future new productions (€ 73,341 thousand), which exceed the funds generated by operating activities (€ 71,576 thousand).

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

- ✓ two medium-term loans of € 3 million each taken out with Banca IFIS and Unicredit, backed by a SACE guarantee to support the existing film productions;
- ✓ The collection of tax credits for € 995 thousand and the transfer of tax credits to Intesa SanPaolo for a total of € 4,973 for partial repayment of medium-term loans.

7. Transactions with related parties

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

€/000	Trade receivables €/000	Other assets €/000	Trade payables €/000	Other liabilities €/000	Revenues €/000	Costs €/000
TATATU S.p.A.	-	1.721	-	-	-	-
Total transactions with related parties	-	1.721	-	-	-	-
Total balance sheet items	34.482	123.706	40.475	38.287	114.170	99.166
Weight on balance sheet items	0%	1%	0%	0%	0%	0%

No related-party transactions were carried out during the period. The balance of receivables from Tatatu S.p.A. concerns a receivable due in 2023 for the consideration paid for the closure of the ADV business unit (€ 1,089 thousand) and a trade receivable (€ 641 thousand).

8. Human resources

The ILBE Group has approximately 120 permanent employees plus some independent contractors. In addition, some professional service providers have an ongoing relationship with the ILBE Group and in some cases have specific responsibilities for the purposes of Italian Law 231/2001.

However, It should be noted that when the production of an audiovisual work begins, a considerable number of temporary workers are hired until its conclusion. During the six months, 328 temporary employees were hired for the ongoing productions.

9. Research and development

Research and development for the year were activities of maintenance nature on the release

of the IP 0.2.1 pipeline, in particular on the following aspects of the hardware and software of the production process:

Software:

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

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

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

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

Hardware and network:

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

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

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

10. Information on the main risks and uncertainties

Financial risk management and management of the change in cash flows

Liquidity risk

The current operational management of the ILBE Group has generated cash flows intended for its needs and used by the current management for the regular payment of suppliers. Additional financial resources for investments are obtained either through financial or capital transactions. Having put in place an effective economic and financial planning system, IE monitors constantly management flows in order to finance working capital and monitor the monetisation of the EBIT that takes place starting a few months after the delivery of the audiovisual work and appropriately financed and guaranteed by the banking system.

Foreign exchange risk

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

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

Interest rate risk

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

Market risk, credit risk and price risk

Risks related to the competitive and cyclical nature of the sector

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

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

Credit risk

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

11. Significant events after the end of the period

Issue of a bond loan for € 10,000,000

On 27 July 2021, the parent company ILBE completed successfully the issue of a bond loan for a total principal amount of € 10,000,000 with maturity in 2028. The resources collected will be used by the Group for the production of film and audiovisual works.

The issue of the bond loan is part of the "Basket Bond di Filiera" transaction, the € 200 million programme promoted by Cassa Depositi e Prestiti and UniCredit with the aim of financing development plans of companies belonging to the strategic chains of the Italian economy, in Italy and abroad.

Specifically, the bond issued by ILBE is dedicated to companies operating in the culture sector.

The bond loan has a duration of 7 years and half-yearly instalments, it will be of the “amortising” type with a pre-amortisation period of 12 months. The bonds will bear interest at the nominal gross annual fixed rate of 2.55% to be paid, with reference to the first coupon, in advance about the fifteenth day after the issue date and, with reference to subsequent coupons, in arrears every six months.

12. Business outlook

The business will continue to grow following the guidelines of the business plan, which envisage a change in the focus of business priorities, balancing investments with activities with greater cash generation capacity, such as services (executive production) and character and pipeline licensing. The related effects has already started to be recognised in the first half of the year.

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

With reference to new films, we recall the aforementioned new film Muti, whose filming will continue in Italy in the coming months.

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

In light of the above, the expected growth of revenues and capitalised works is confirmed in 2021. The new activities will be financed with dedicated and therefore self-liquidating loans. Revenues are expected to grow. Likewise, as expected and achieved in the first half of the year, a more limited trend in margins is predicted compared to previous years.

Rome, 22 September 2021

For the Board of Directors

The Chairman
Andrea Iervolino



Condensed Half-Year Consolidated Financial Statements and Explanatory Notes

30 June 2021

CONTENTS

Half-year consolidated statement of financial position	31
Statement of consolidated comprehensive profit/(loss) for the half-year	32
Half-year consolidated statement of changes in shareholders' equity	33
Half-year consolidated cash flow statement	34
Explanatory notes to the condensed half-year consolidated financial statements	35
1. Corporate information	35
2. Drafting principles and changes in the Group's accounting policies	35
2.1 Main changes in the scope of consolidation	35
2.2 Drafting principles	36
2.3 Discretionary assessments and significant accounting estimates	36
2.3 Management of financial risks	36
2.4 New accounting standards, interpretations and amendments adopted by the Group	38
2.5 Accounting standards issued by the IASB and endorsed by the European Commission	38
2.6 Accounting standards issued by the IASB and not yet endorsed by the European Commission	38
Note 3 Operating sectors: Disclosure	39
Note 4 Intangible assets	39
Note 5 Trademark and Goodwill	41
Note 6 Deferred tax assets	41
Note 7 Equity investments recognised using the equity method	42
Note 8 Other non-current assets	42
Note 9 Trade receivables	42
Note 10 Tax credits	43
Note 11 Current financial assets	43
Note 12 Other current assets	44
Note 13 Assets deriving from contracts with customers	44
Note 14 Cash and bank deposits	44
Note 15 Shareholders' equity	44
Note 16 Non-current financial liabilities	45
Note 17 Current financial liabilities	46
Note 18 Trade payables	46
Note 19 Tax liabilities	47

Note 20 Contract liabilities	47
Note 21 Other current liabilities	47
Note 22 Revenues	47
Note 23 Other revenues and income	48
Note 24 Tax credits and other government grants	49
Note 25 Costs for services	49
Note 26 Personnel expenses	49
Note 27 Amortisation/depreciation, write-downs and provisions	50
Note 28 Financial income and expenses	50
Note 29 Income taxes	50
Note 30 Earnings per share	51
Note 31 Other information	51
31.1 Related-party transactions	51
31.2 Fees due to the Independent Auditors	52
31.3 Commitments and guarantees given by the Group	52
31.4 Information pursuant to Art. 1, para. 125, Italian Law no. 124 of 4 August 2017	52
31.5 Subsequent event	52
31.6 Transactions resulting from atypical and/or unusual operations	53

Half-year consolidated statement of financial position as at 30 June 2021

€/000	Notes	30-giu-21	of which related parties	31-dic-20	of which related parties
Assets					
Non-current assets					
Intangible assets	Note 4	75.081	-	68.057	-
Finished productions		42.325	-	40.725	-
Productions in progress		7.852	-	5.401	-
IP and distribution rights		24.792	-	21.806	-
Other intangible assets		111	-	124	-
Trademark	Note 5	359	-	359	-
Goodwill	Note 5	75	-	75	-
Tangible assets		235	-	214	-
Deferred tax assets	Note 6	6.710	-	6.289	-
Equity investments recognised at equity	Note 7	18	-	18	-
Other non-current assets	Note 8	2.324	1.721	2.334	1.731
Total non-current assets		84.802	1.721	77.345	1.731
Current assets					
Trade receivables	Note 9	34.482	-	16.787	-
Tax credits	Note 10	24.113	-	21.721	-
Current financial assets	Note 11	4.419	-	4.348	-
Other current assets	Note 12	4.535	-	3.590	-
Assets deriving from contracts with customers	Note 13	3.490	-	2.777	-
Cash and cash equivalents	Note 14	2.347	-	3.513	-
Total current assets		73.386	-	52.736	-
Total assets		158.188	-	130.082	-
Shareholders' equity					
Share capital	Note 15	1.401	-	1.401	-
Legal reserve	Note 15	497	-	497	-
Extraordinary reserve	Note 15	19.442	-	-	-
Other reserves	Note 15	16.493	-	16.464	-
Profits (losses) carried forward	Note 15	29.243	-	29.181	-
Profit (loss) for the year	Note 15	12.349	-	19.498	-
Equity attributable to shareholders of the parent company		79.425	-	67.041	-
NCIs		-	-	-	-
Total shareholders' equity		79.425	-	67.041	-
Non-current liabilities					
Employee benefits		178	-	181	-
Deferred tax liabilities		113	-	117	-
Provisions for risks and charges		300	-	300	-
Non-current financial liabilities	Note 16	18.854	-	18.108	-
Total non-current liabilities		19.445	-	18.706	-
Current liabilities					
Current financial liabilities	Note 17	5.245	-	5.379	-
Trade payables	Note 18	40.475	-	25.289	-
Tax payables	Note 19	2.316	-	1.625	-
Contractual liabilities	Note 20	4.372	-	2.980	-
Other current liabilities	Note 21	6.909	-	9.062	-
Total current liabilities		59.318	-	44.335	-
Total liabilities		158.188	-	130.082	-

Statement of consolidated comprehensive profit/(loss) for the half-year as at 30 June 2021

€/000	Notes	30-giu-21	of which related parties	30-giu-20	of which related parties
Revenues	Note 22	103.146	-	41.900	1.090
Other revenues and income	Note 23	125	-	8.616	-
Tax credits and other government grants	Note 24	10.899	-	4.973	-
Total operating revenues and income		114.170	-	55.488	1.090
Purchases of raw materials, supplies and goods		96	-	43	-
Costs for services	Note 25	3.890	-	1.247	-
Personnel expenses	Note 26	1.767	-	309	-
Other operating costs		419	-	272	-
Amortisation/depreciation, write-downs and provisions	Note 27	92.993	-	41.617	-
Operating profit		15.004	-	12.001	-
Financial income	Note 28	113	-	464	-
Financial expenses	Note 28	2.017	-	865	-
Pre-tax profit		13.100	-	11.600	1.090
Income taxes	Note 29	(750)	-	(2.011)	-
Profit for the period		12.349	-	9.589	-
Attributable to Group		12.349	-	9.589	-
Minority interests		-	-	-	-
Other components of the comprehensive income statement that may be subsequently reclassified in profit/(loss) for the year, net of taxes		-	-	-	-
Other components of the comprehensive income statement that may not be subsequently reclassified in profit/(loss) for the year, net of taxes		21	-	-	-
Remeasurement of net liabilities/(assets) for employee benefits		21	-	-	-
Total comprehensive profit/(loss), net of taxes		12.370	-	9.589	-
Basic earnings per share (ordinary shares)	Note 30	0.51	-	0.43	-
Diluted earnings per share (ordinary shares)	Note 30	0.51	-	0.40	-

Half-year consolidated statement of changes in shareholders' equity

as at 30 June 2021

	Notes	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Other reserves	Translation reserve	Capital contributions	Profit(loss) carried forward	Profit(loss) for the year	Total	NCIs	Total shareholders' equity
€000													
Balance as at 1 January 2021		1,401	497	-	16,481	(35)	8	-	29,181	19,488	67,061	-	67,061
Profit(loss) for the year	Note 15	-	-	-	-	-	-	-	-	12,349	12,349	-	-
Allocation of 2020 operating result	Note 15	-	-	19,442	-	-	-	-	60	(19,498)	4	-	-
Increase in translation reserve	Note 15	-	-	-	-	-	9	-	-	-	9	-	-
Consolidation changes	Note 15	-	-	-	-	-	-	-	-	-	-	-	-
OCI change	Note 15	-	-	-	-	21	-	-	-	-	21	-	-
Balance as at 30 June 2021		1,401	497	19,442	16,481	(14)	17	-	29,242	12,349	79,425	-	79,425

as at 30 June 2020

	Notes	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Other reserves	Translation reserve	Capital contributions	Profit(loss) carried forward	Profit(loss) for the year	Total	NCIs	Total shareholders' equity
€000													
Balance as at 1 January 2020		1,335	497	-	16,263	-	-	-	9,308	20,249	47,650	-	47,650
Profit(loss) for the year		-	-	-	-	-	-	-	-	-	-	-	-
Allocation of 2019 operating result		-	-	-	-	-	-	-	-	(20,249)	-	-	-
Capital increase - "Arte Video" transaction		1	-	-	146	-	-	-	-	-	147	-	-
Balance as at 30 June 2020		1,336	497	-	16,408	-	-	-	9,308	(0)	47,797	-	47,797

Half-year consolidated cash flow statement as at 30 June 2021

€/000	Notes	30-Jun-21	30-Jun-20
Pre-tax profit for the year		13.100	11.600
Income taxes	Note 29	(750)	(2.011)
Adjustments to reconcile pre-tax profit with net cash flows:			
Amortisation/depreciation on intangible and tangible assets	Note 27	92.993	41.617
Net exchange differences		-	166
Financial expenses		637	232
Allocations (Uses) of personnel-related provisions		18	20
Other non-monetary items		-	3
Cash flow generated from operating activities		105.998	51.627
Change in working capital:			
Change in trade receivables		(17.695)	(8.596)
Change in trade payables		(11.608)	(20.708)
Change in other receivables and other assets		(4.462)	1.941
Change in other payables and other liabilities		1.762	(4.119)
Interest paid		(345)	(91)
Income taxes paid		(1.909)	(3.271)
A - Net flow generated/(used) from operating activities		71.741	16.785
Investments in intangible and tangible assets		(73.271)	(21.055)
Investments in financial assets (equity investments)		-	(153)
Investments in other financial assets		(70)	-
B - Net flow generated/(used) from investment activities		(73.341)	(21.208)
Share capital increase / Share premium reserve		-	9.705
Mortgages and loans taken out during the period		6.047	(11.328)
Mortgages and loans paid back during the period		(5.612)	-
C - Net flow generated/(used) from financing activities		435	(1.623)
D - Total cash flow generated/(used) in the period (A + B + C)		(1.166)	(6.047)
E - Cash and cash equivalents at the beginning of the period		3.513	8.225
F - Cash and cash equivalents at the end of the period (D + E)		2.347	2.179

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

Explanatory notes to the condensed half-year consolidated financial statements

1. Corporate information

The publication of the condensed half-year consolidated financial statements of Iervolino & Lady Bacardi Entertainment S.p.A. (formerly Iervolino Entertainment S.p.A.) and its subsidiaries (the Group) for the period ended 30 June 2021 was authorised by the Board of Directors on 22 September 2021. The Consolidating Company, following the resolution of the shareholders' meeting of 23 June 2021, changed the company name from Iervolino Entertainment S.p.A. to "Iervolino & Lady Bacardi Entertainment S.p.A."

The consolidating company, Iervolino & Lady Bacardi Entertainment S.p.A., is a joint stock company listed, registered and domiciled in Italy. The registered office is located in via Barberini 29, 00187 Rome.

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

Information on Group relations with related parties is presented in Note 31.1.

2. Drafting principles and changes in the Group's accounting policies

2.1 Main changes in the scope of consolidation

The scope of consolidation as at 30 June 2021, compared to that as at 31 December 2020, underwent the following changes: (i) in March 2021, the subsidiary Arte Video S.r.l. established the company Arte Video LLC with registered office in the USA; as at 30 June 2021, the Group's interest in Arte Video LLC is 99%.

The entities included in the scope of consolidation as at 30 June 2021 and the related percentages of share capital held, directly or indirectly, by the Group are listed below:

Business Name	Registered Office Address	Ownership	Direct Ownership	Consolidation Method
Parent				
Iervolino & Lady Bacardi S.p.A.	29, Barberini street, 00187, Rome (Italy)	n.a.	n.a.	n.a.
Subsidiaries				
Arte Video S.r.l.	29, Barberini street, 00187, Rome (Italy)	100%	100%	Total
RED Carpet S.r.l.	69, Porto Fluviale street, 00154, Rome (Italy)	100%	100%	Total
Iexchange S.r.l.	29, Barberini street, 00187, Rome (Italy)	100%	100%	Total
Iervolino Studios d.o.o.	26/9, Svetosavka street, Pozarevac (Serbia)	100%	100%	Total
Arte Video LLC	1680 Knowlwood Drive - Pasadena, California 91103 (USA)	0,99	0	Total
Associated				
Furuna Crafts d.o.o.	Zelenzicka 4, Novi Sad	0,5	0	Equity

2.2 Drafting principles

The condensed half-year consolidated financial statements as at 30 June 2021 were prepared on the basis of IAS 34 Interim Financial Reporting. The Group has prepared the condensed half-year consolidated financial statements on the basis of the going concern assumption. The directors consider that there are no significant uncertainties that could give rise to doubts on this assumption. They have assessed that there is a reasonable expectation that the Group will have adequate resources to continue its operations for the immediate future, not less than 12 months from the reporting date.

The condensed half-year consolidated financial statements do not disclose all the information required in preparing the annual consolidated financial statements. For this reason, it is necessary to read these condensed half-year consolidated financial statements together with the consolidated financial statements as at 31 December 2020.

Current income taxes are calculated on the basis of taxable income at the end of the period. Current income tax payables and receivables are recognised at the value that is expected to be paid/recovered to/from the tax authorities by applying the tax regulations in force or substantially approved at the end of the period and the estimated rates on an annual basis.

These financial statements do not provide IAS 34.21 disclosure relating to seasonality as the turnover and operating results of the Group and the sectors in which it operates are not affected by seasonality.

2.3 Discretionary assessments and significant accounting estimates

With reference to the discretionary assessment and significant accounting estimates made by the Company Management, reference is made to the contents of the 2020 Annual Financial Report.

2.3 Management of financial risks

Liquidity risk

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

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

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

In recent years, the Group's activity has been characterised by rapid development, high growth and the acquisition of new intellectual property. In this context of growth, characterised by a high use of

liquidity, the Group made use of bank debt by entering loans and a basket bond, whose time profile of the related repayment plans is illustrated in the following table:

€/000								
Issuing institution	Type of loan	Interest rate	Amount disbursed	Origination year	Expiry year	Within 1 year	Between 1 and 5 years	Over 5 years
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	99	223	-
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	99	232	-
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2023	125	199	-
Intesa San Paolo S.p.A.	Loan	3M Euribor + 2.5% spread	4,100	2020	2023	-	2,484	-
Intesa San Paolo S.p.A.	Loan	3M Euribor + 2.6% spread	5,500	2020	2025	-	2,143	-
Intesa San Paolo S.p.A.	Basket Bond	4.07%	8,000	2020	2027	-	6,335	1,665
Unicredit S.p.A.	Loan	3M Euribor + 1.5% spread	3,000	2021	2023	-	3,000	-
Banca Ifis S.p.A.	Loan	3M Euribor + 3.25% spread	3,000	2021	2026	300	2,700	-

The Group's gross exposure to the banking system amounted to € 24 million as at 30 June 2021, while cash and cash equivalents amounted to € 7 million.

The risk of a liquidity shortage is monitored by using a financial planning instrument aimed at verifying over time the availability of sufficient cash flows, at all times, to cover the disbursements of capital and interest in respect of the debt and other obligations of the Group.

The Group uses also the direct remittance of the customer to the supplier and the related flows, although shown "gross" in the financial statements, do not generate operating cash flows.

Foreign exchange risk

The Group pays part of its costs in US dollars and receives part of its revenues in this currency. It is therefore exposed to the risk of a devaluation of the euro against the US dollar; however, it did not consider it appropriate to hedge this risk as this is significantly reduced through the instrument of direct remittance of the customer to the supplier.

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

Interest rate risk

The Group is exposed to marginal risks associated with the volatility of interest rates linked to loans. In fact, fixed-rate loans represented 41% of the total loans as at 31 December 2020.

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

Credit risk

We believe that the Group's business activities are carried out with parties with a good credit standing. The risk that a counterparty might not fulfil its obligations as at 30 June 2021 is limited, even though significant credit concentrations exist. These concentrations concern those customers with which the Group carries out recurring transactions.

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

their presumed realisation value.

As at 30 June 2021, past due receivables were equal to 2% of total trade receivables and the bad debt provision was equal to 40% of the total past due.

2.4 New accounting standards, interpretations and amendments adopted by the Group

The accounting standards adopted for the preparation of these condensed half-year consolidated financial statements are consistent with those used for the drafting of the consolidated financial statements as at 31 December 2020, with the exception of the adoption of the new standards and amendments in force from 1 January 2021. The Group has not adopted in advance any new standard, interpretation or amendment issued but not yet in force.

2.5 Accounting standards issued by the IASB and endorsed by the European Commission

Regulation no. 2021/1080 issued by the European Commission on 28 June 2021

endorsed:

- the amendments to IAS 37, aimed at providing clarifications on the methods for determining the cost of a contract;
- the amendments to IAS 16, aimed at defining that the revenues deriving from the sale of goods produced by an asset before it is ready for the intended use are charged to the income statement together with the related costs of production;
- the amendments to IFRS 3, aimed at: (i) completing the update of the references to the Conceptual Framework for Financial Reporting in the accounting standard; (ii) provide clarifications on the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and levy assumed as part of a business combination transaction; (iii) make it clear that the potential assets cannot be recognised as part of a business combination;
- the document "Annual Improvements to IFRSs 2018-2020", containing amendments, essentially of a technical and editorial nature, of the international accounting standards.

These amendments are effective for periods beginning on or after 1 January 2022.

2.6 Accounting standards issued by the IASB and not yet endorsed by the European Commission

On 31 March 2021, the IASB issued the amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" (hereinafter, amendments to IFRS 16), aimed at extending the simplifications introduced in 2020 and relating to the possibility of not applying the provisions on "lease modification" to the price concessions obtained by the lessee as a result of COVID-19 also to the price changes granted for the instalments due on or before 30 June 2022, if certain requirements are met. The amendments to IFRS 16 are effective for periods beginning on or after 1 April 2021.

On 7 May 2021, the IASB issued amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities arising from a Single Transaction" (hereinafter amendments to IAS 12), aimed at requiring the recognition of deferred taxes for transactions that, upon initial recognition, give rise to taxable and

deductible temporary differences of the same amount. The amendments to IAS 12 are effective for periods beginning on or after 1 January 2023.

At present, ILBE is analysing the recently issued accounting standards and assessing whether their adoption will have a significant impact on the financial statements.

Note 3 Operating sectors: Disclosure

The activity carried out by the Group can be classified into three operating segments: (i) Film productions including right use and service activities (production activities carried out on behalf of third parties - the final Intellectual Property is not owned by the Group) and post-production activities; (ii) Authoring, encoding & digital delivery activities (A, E & DD); (iii) Celebrity Management, casting and production of digital ADV content (Celebrity Management).

The film production segment is the Group's core business. The Parent Company is a global production company specialising in the production of Hollywood-style film and television content for the international market, from preliminary project evaluation to post-production; for these characteristics, the customers of this operating segment are international sales agents or distributors located outside Italy. The segment includes also the service activities carried out by the Group in relation to the animated series Puffins: Impossible and the films Spin Me Round, Vote for Santa and The Christmas Witch. Within this segment, post-production activities are carried out by the subsidiary Arte Video.

The A, E & DD segment is developed by the subsidiary Arte Video.

The segment of Celebrity Management, casting and production of digital ADV content is related to the development of an internal celebrity management agency and is developed by the subsidiary Red Carpet.

Administrators monitor separately the results achieved by business units for the purpose of taking decisions regarding the allocation of resources and performance verification. The performance of segments is assessed based on their profits, as resulting from the consolidated financial statements.

The breakdown by operating segment is illustrated in Note 22.

Note 4 Intangible assets

The composition of the Intangible assets item as at 30 June 2021, compared with the same values as at 31 December 2020, is shown below:

€/000	30-Jun-21	31-Dec-20	Change
Finished productions	42.325	40.725	1.600
Productions in progress	7.852	5.401	2.451
IP and distribution rights	24.792	21.806	2.985
Other intangible assets	111	124	(13)
Total intangible assets	75.081	68.057	7.024

Changes in intangible assets are shown below (the decrease column in addition to amortisation for the year includes also other decreases):

€/000	As at 31 December 2020	Increases	Consolidation changes	Reclassifications	Decreases	As at 30 June 2021
Finished productions	40.725	90.155	-	2.359	(90.913)	42.325
Productions in progress	5.401	4.835	-	(2.359)	(25)	7.852
IP and distribution rights	21.806	5.016	-	-	(2.029)	24.792
Other intangible assets	124	-	-	-	(13)	111
Total intangible assets	68.057	100.006	-	-	(92.979)	75.081

The Finished productions item includes the capitalisation of the works produced, completed and delivered to the customer. These works refer to (i) the films The Poison Rose and Waiting for the Barbarians delivered in 2018 and 2019 respectively; (ii) 190 episodes of the web series Arctic Friends (15 episodes delivered in 2018, 35 in 2019, 72 in 2020 and 68 in 2021); (iii) 129 episodes of the web series Puffins (20 episodes delivered in 2019, 50 in 2020 and 59 in 2021); (iv) the segments of the film Tell it Like a Woman (formerly Together Now) delivered in 2019, 2020 and 2021; (v) the film Eddie & Sunny delivered in 2020; (vi) the Vod Cast Giving Back delivered in 2019; (vii) other minor projects.

The breakdown of the finished productions is as follows:

€/000	As at 31 December 2020	Increases 2021	Decreases/Amortisation and depreciation 2021	Reclassifications	As at 30 June 2021
The Poison Rose	-	-	-	-	-
Waiting for the Barbarians	359	-	(90)	-	269
AF 2018 (15 episodes) - 2018	-	-	-	-	-
AF 2019 (35 episodes) - 2019	2.856	-	(2.856)	-	-
AF 2020 (72 episodes) - 2020	14.947	-	(13.152)	-	1.795
AF 2021 (68 episodes) - 2021	-	54.585	(41.011)	96	13.670
AF rights	3.571	-	(2.789)	-	772
Total AF	21.374	54.585	(59.818)	96	16.237
Puffins 2019 (20 episodes) - 2019	3.341	-	(835)	-	2.506
Puffins 2020 (50 episodes) - 2020	7.728	-	-	-	7.728
Puffins 2021 (59 episodes) - 2021	-	35.328	(26.528)	41	8.841
Puffins rights	3.331	-	(1.283)	-	2.048
Total Puffins	14.400	35.328	(28.646)	41	21.123
Eddie & Sunny	742	-	-	-	742
Tell it like a Woman	3.850	242	(1.804)	-	2.288
Giving Back	-	-	-	-	-
Other Projects	-	-	(555)	2.222	1.667
TOTAL	40.725	90.155	(90.913)	2.359	42.325

The Production in progress item includes the capitalisation of the costs of films that were not finished in the first half of 2021.

The breakdown of the productions in progress is as follows:

€/000	As at 31 December 2020	Increases 2021	Decreases/Amortisation and depreciation 2021	Reclassifications	As at 30 June 2021
State of Consciousness	2.300	239	(9)	-	2.530
Tell it like a Woman	-	-	-	-	-
Dakota	-	4.091	-	-	4.091
Other Projects	3.101	505	(16)	(2.359)	1.231
TOTAL	5.401	4.835	(25)	(2.359)	7.852

The IP and Distribution rights item includes capitalisation of the costs incurred for the acquisition of the distribution rights for the films in Italy and the rights related to Intellectual Properties. The

increase in the item compared to the previous period is mainly related to the acquisition of the worldwide rights for the film The Good Witch of Christmas.

The breakdown of the Misc. rights item is as follows:

€/000	As at 31 December 2020	Increases 2021	Decreases/Amortisation and depreciation 2021	Reclassifications	As at 30 June 2021
Other distribution rights	146	-	(19)	-	128
Arctic Justice 8 Characters - IP	11.042	780	(1.182)	-	10.640
Lamborghini distribution rights	2.080	-	-	-	2.080
Arctic Justice film distribution rights	2.039	-	(510)	-	1.529
Christmas Thieves distribution rights	2.609	1.684	-	-	4.293
The Good Witch of Christmas distribution rights	-	2.436	-	-	2.436
Puffins rights - IP	3.642	-	(318)	-	3.324
Misc. rights - IP	247	116	-	-	363
TOTAL	21.805	5.016	(2.029)	-	24.792

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

Note 5 Trademark and Goodwill

The Trademark (€ 359 thousand) and Goodwill (€ 75 thousand) derive from the difference between the prices paid for the acquisitions of controlling interests, and the "fair value" of the net assets acquired on the date in which control over them is essentially determined. In particular, Trademark relates to the acquisition of the interest in R.E.D. Carpet S.r.l., and Goodwill to the acquisition of the interest in Arte Video S.r.l.

The Group conducts impairment testing annually on 31 December and when circumstances indicate the possibility of a reduction in the recoverable amount of goodwill. The impairment test for goodwill and intangible assets with an indefinite useful life is based on the calculation of the value in use. The key assumptions used to determine the recoverable value of the various cash-generating units (CGUs) were illustrated in the consolidated financial statements as at 31 December 2020.

The Trademark was amortised at the rate of 1/18.

As at 30 June 2021, no circumstances emerged that were such to subject the trademark and goodwill to the impairment test.

Note 6 Deferred tax assets

Deferred tax assets, equal to € 6,710 thousand consist of taxes calculated on the temporary deductible differences deriving from a misalignment between the book values recognised in the financial statements and the corresponding values recognised for tax purposes. The breakdown of the deferred tax assets as at 30 June 2021, compared to 31 December 2020, is provided below:

€/000	30-Jun-21	31-Dec-20	Change
Amortisation of intangible assets	5.791	5.523	268
Write-downs of intangible assets	413	413	-
Other temporary differences	506	353	153
Total deferred tax assets	6.710	6.289	421

Please note that deferred tax assets are recognised to the extent that the existence is probable of future taxable profits to a sufficient extent to ensure the use of deductible temporary differences determined on the balances of the assets and liabilities.

Deferred tax assets were accounted for consistently with the estimate of the probable time manifestation and the amount of future taxable profits.

Note 7 Equity investments recognised using the equity method

Total equity investments in associated companies as at 31 December 2020 were equal to € 18 thousand. This amount refers to the company Furuna Crafts d.o.o.

Note 8 Other non-current assets

Other non-current assets were equal to € 2,324 thousand and consisted of receivables due beyond the year (i) for the consideration paid to the Group by Tatatu S.p.A. and related to the closure of the ADV Business Unit (€ 1,721 thousand), and (ii) for a portion of the Guaranteed Minimum, equal to € 533 thousand, for the film Eddie & Sunny.

Note 9 Trade receivables

Trade receivables were equal to € 34,482 thousand. Below is the detail:

€/000	30-Jun-21	31-Dec-20	Change
Trade receivables due from third-party customers	34.482	16.787	17.695
Receivables due from related parties	-	-	-
Total trade receivables	34.482	16.787	17.695

Trade receivables are generated by normal business activity and are regularly collected at the due dates set in the sales agreements.

The following table provides the geographical breakdown of Trade receivables:

€/000	30-Jun-21	31-Dec-20	Change
Receivables due from domestic customers	8.621	5.486	3.135
Receivables due from EU customers	19.111	-	19.111
Receivables due from non-EU customers	6.751	11.301	(4.550)
Total trade receivables	34.482	16.787	17.695

The following table provides the breakdown of Trade receivables by operating segment:

€/000	30-Jun-21	31-Dec-20	Change
Receivables due from customers - cinema production	32.556	15.991	16.565
Receivables due from customers - A, E & DD	336	331	5
Receivables due from customers - Celebrity Management	1.590	465	1.125
Total trade receivables	34.482	16.787	17.695

The company carries out a specific assessment of the credit risk for each customer. As at 30 June 2021, doubtful debts equal to € 123 thousand were identified through this analysis.

€/000	30-Jun-21	31-Dec-20	Change
Gross trade receivables	34.605	16.909	17.696
Bad debt provision	(123)	(122)	(1)
Total trade receivables	34.482	16.787	17.695

Note 10 Tax credits

The table below presents the composition of tax credits as at 30 June 2021 and 31 December 2020:

€/000	30-Jun-21	31-Dec-20	Change
VAT credit	1.216	801	415
Tax credit for cinema production	21.550	20.052	1.498
Tax credit for cinema self-distribution	520	520	-
IPO tax credit	-	209	(209)
Net IRES advances	741	93	648
Other tax credits	87	46	41
Total tax credits	24.114	21.721	2.393

The tax credit for cinema production item refers to the tax relief deriving from tax credits granted to film production companies in relation to the costs incurred for the production of audiovisual works of Italian nationality.

Note 11 Current financial assets

The item, equal to € 4,419 thousand, consists of financial investments made by the Group to optimise the management of uncommitted funds. Financial investments are made up of investment funds, 85% of which is made up of bonds.

€/000	Book value	Fair value	Fair Value Level
	4.419	4.419	Level 1

Pursuant to the disclosure required by paragraph 15B (k) of IAS 34, it should be noted that the Group determines the fair value in compliance with IFRS 13 each time this measurement criterion is required by international accounting standards. The fair value is given by the price that would be received for the sale of an asset or that would be paid for the transfer of a liability as part of an ordinary transaction between market operators, at the valuation date (so-called "exit price"). Its best identification is the market price, i.e. its current price, publicly available and effectively traded on a liquid and active market. The fair value of assets and liabilities is classified in a fair value hierarchy that envisages three different levels, defined as follows, based on the inputs and valuation techniques used to measure the fair value:

- > Level 1: listed prices (not modified) on active markets for identical assets or liabilities to which the Company can access at the measurement date;
- > Level 2: inputs other than listed prices in Level 1 that can be observed for the asset or liability, both directly (such as prices) and indirectly (derived from prices);
- > Level 3: inputs for the asset and liability not based on observable market data (non-observable inputs).

Note 12 Other current assets

The breakdown of the Other current assets item is provided in the following table:

€/000	30-Jun-21	31-Dec-20	Change
Advances to suppliers	221	150	71
Receivable from ADS	4.244	3.300	944
Receivables from Lazio Region	-	117	(117)
Other receivables	51	-	51
Prepaid expenses	19	23	(4)
Total other current assets	4.535	3.590	945

The relationship with ADS is connected with the receivable from the Serbian company Archangel Digital Studios, user of the service activities of the Group company Iervolino Studios d.o.o.

Note 13 Assets deriving from contracts with customers

The item includes activities for work in progress related to service activities carried out in Serbia for the production of 54 episodes of the Puffins: Impossible series and recognised according to the stage of completion.

Note 14 Cash and bank deposits

The item includes the balance of cash and cash equivalents.

There are no restrictions on cash and cash equivalents as at 30 June 2021 and 31 December 2020.

Note 15 Shareholders' equity

Below is the composition of the item:

€/000	30-Jun-21	31-Dec-20	Change
Share capital	1.401	1.401	-
Legal reserve	497	497	-
Share premium reserve	16.491	16.491	-
Extraordinary Reserve	19.442	-	19.442
Other reserves	3	(27)	30
Profit/(loss) carried forward	29.242	29.181	61
Profit/(loss) for the year	12.349	19.498	(7.149)
Total shareholders' equity	79.524	67.041	12.384
<i>of which NCIs</i>	-	-	-

Share Capital

As at 30 June 2021, the share capital was equal to € 1,401 thousand, fully paid, and consisting of 35,016,104 shares.

Legal Reserve

As at 30 June 2021, the legal reserve was equal to € 497 thousand.

Share premium reserve

As at 30 June 2021 the share premium reserve consisted of:

- listing of the shares on the AIM Italia multilateral trading system organised and managed by Borsa Italiana S.p.A. ("AIM Italia"), which ended with the start of negotiations on 5 August 2019 (€ 8,240 thousand);
- conversion of the bonds deriving from the convertible bond loan "Iervolino Entertainment S.p.A. Convertible Bond 5% 2019" (€ 707 thousand);
- issue of the automatically convertible bond loan "Iervolino Entertainment S.p.A. Converting 3% 2019" (€ 7,251 thousand);
- acquisition of the subsidiaries Arte Video S.r.l. and R.E.D. Carpet S.r.l. (€ 293 thousand).

Extraordinary reserve

The item includes part of the allocation of the result for the year 2020.

Other reserves

A breakdown of the Other reserves item as at 30 June 2021 and 31 December 2020 is provided below:

€/000	30-Jun-21	31-Dec-20	Change
Translation reserve	17	8	9
OCI reserve IAS 19	(14)	(35)	21
Other reserves	3	(27)	30

The objectives of Iervolino in capital management are inspired by the creation of value for shareholders, the guarantee of the interests of the stakeholders and the safeguarding of the business continuity, as well as the maintenance of an adequate level of capitalisation allowing economic access to external sources of financing aimed at adequately supporting the development of the Group's activities.

Note 16 Non-current financial liabilities

Below is a breakdown of the Non-current financial liabilities item as at 30 June 2021 and 31 December 2020:

€/000	30-Jun-21	31-Dec-20	Change
Loans	10.964	10.281	683
Basket Bond	7.839	7.798	41
Other non-current financial liabilities	51	29	22
Total non-current financial liabilities	18.854	18.108	746

The item includes medium/long-term variable and fix rate bank loans. Below is the table relating to the loans established by the Group:

Issuing institution	Type of loan	Interest rate	Amount disbursed	Origination year	Expiry year	Within 1 year	Between 1 and 5 years	Over 5 years
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	99	223	-
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2024	99	232	-
Banca Progetto	Loan	1M Euribor + 5% spread	500	2019	2023	125	159	-
Iteasa San Paolo S.p.A.	Loan	3M Euribor + 2.5% spread	4.100	2020	2023	-	2.484	-
Iteasa San Paolo S.p.A.	Loan	3M Euribor + 2.6% spread	5.500	2020	2025	-	2.143	-
Iteasa San Paolo S.p.A.	Basket Bond	4.07%	8.000	2020	2027	-	6.335	1.665
Unicredit S.p.A.	Loan	3M Euribor + 1.5% spread	3.000	2021	2023	-	3.000	-
Banca Itis S.p.A.	Loan	3M Euribor + 3.25% spread	3.000	2021	2026	300	2.700	-

In particular, the regulation of the Basket Bond provides for specific economic/financial covenants with predefined threshold values in terms of Net Financial Position/EBIT, Net Financial Position/Shareholders' Equity and EBIT/Gross Interest. As at 30 June 2021, these covenants had been fulfilled.

The net financial position as at 30 June 2021 and 31 December 2020 is shown below:

Net financial position - €/000	30/06/2021	31/12/2020
Cash and cash equivalents	(2.347)	(3.513)
Liquidity	(2.347)	(3.513)
Financial assets (investment funds)	(4.419)	(4.348)
Bank payables	24.099	23.487
Net financial indebtedness	19.680	19.139
Debit NFP	17.333	15.626

Note 17 Current financial liabilities

Current financial liabilities as at 30 June 2021 amounted to € 5,082 thousand:

€/000	30-Jun-21	31-Dec-20	Change
Short-term portion of non-current financial payables	786	366	420
Other current financial liabilities	21	37	(16)
Current account overdraft	4.438	4.975	(537)
Total current financial liabilities	5.245	5.378	(133)

Note 18 Trade payables

Trade payables were equal to € 40,475 thousand, as indicated in the following table:

€/000	30-giu-21	31-dic-20	Variazione
Debiti Commerciali	40.475	25.289	15.186
Debiti verso parti correlate	-	-	-
Totale Debiti commerciali	40.475	25.289	15.186

Total trade payables represent the Group's debt to suppliers for service purchases.

The following table shows the geographical breakdown of Trade payables:

€/000	30-giu-21	31-dic-20	Change
Trade payables	40.475	25.289	15.186
Payables to related parties	-	-	-
Total trade payables	40.475	25.289	15.186

Note 19 Tax liabilities

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

€/000	30-Jun-21	31-Dec-20	Change
Payables for current taxes	694	810	(116)
VAT payables of previous years	961	150	811
Sundry tax payables	661	665	(4)
Total tax payables	2.316	1.625	691

Note 20 Contract liabilities

As at 30 June 2021, contractual liabilities were equal to € 4,647 thousand; the breakdown compared to the amounts as at 31 December 2020 is provided below:

€/000	30-Jun-21	31-Dec-20	Change
Contractual liabilities	4.372	2.980	1.392
Total contractual liabilities	4.372	2.980	1.392

The contractual liabilities derive from financial advances received for performance obligations that will be met in the following period. In particular, the contractual liabilities refer to the advances received and mainly relating to the Dakota project.

Note 21 Other current liabilities

As at 30 June 2021, Other current liabilities were equal to € 6,909 thousand; the breakdown compared to the amounts as at 31 December 2020 is provided below:

€/000	30-Jun-21	31-Dec-20	Change
Payables to personnel	400	213	187
Deferred income	5.301	8.769	(3.468)
Other payables	1.208	80	1.128
Total other current liabilities	6.909	9.062	(2.153)

Other current liabilities are mainly made up of deferred income relating to the portion of government grants - tax credit, which, on the basis of IAS 20, must be systematically divided between the financial years in order to be commensurate with the recognition of the costs they intend to offset.

Note 22 Revenues

Revenues were equal to € 103,146 thousand and refer to the following operating segments:

€/000	30-Jun-21	30-Jun-20	Change
Film production revenues	100.228	40.509	59.719
ADV revenues	-	1.090	(1.090)
Celebrity management, casting and digital ADV content production revenues	2.442	-	2.442
Authoring, encoding & digital delivery revenues	476	300	176
Total revenues	103.146	41.899	61.247

Revenues from film productions relate to: (i) the sale of use rights of Intellectual Properties during the year (€ 67,281 thousand); (ii) the concession of the right to use the know-how developed by the company

for the production of animations (hereinafter also "Pipeline") (€ 22,862 thousand); (iii) the concession of the right to use the character license (€ 2,935 thousand); (iv) revenues for services activities (€ 7,033 thousand); (v) other revenues (€ 117 thousand).

€/000	30-Jun-21	30-Jun-20	Change
Revenues from IP use right sale	67.281	40.509	26.772
Revenues from pipeline right sale	22.862	-	22.862
Revenues from character right sale	2.935	-	2.935
Service revenues	7.033	-	7.033
Other revenues	117	-	-
Total revenues	100.228	40.509	59.602

Revenues from disposals were recognised when the company transferred the right to use the license, pipeline and characters. Pursuant to IFRS 15, revenues are recognised at a point in time, as the company sells a right to use, and connected to concessions actually contracted during the year.

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

A breakdown of film production revenues by film/web series is provided below:

€/000	30-Jun-21	30-Jun-20	Change
Sale of IP use rights	67.281	40.509	26.772
The Poison Rose	-	90	(90)
Arctic Friends web series	42.366	25.623	16.743
Tell it like a Woman	2.420	1.142	1.278
Waiting for the Barbarians	-	-	-
Eddie & Sunny	-	-	-
Puffins web series	22.495	13.654	8.841
Giving Back	-	-	-
Sale of pipeline rights	22.862	-	22.862
Arctic Friends web series	22.862	-	22.862
Sale of character rights	2.935	-	2.935
Arctic Friends web series/Other IP	2.935	-	2.935
Services activities	7.033	-	7.033
Puffins: Impossible	6.583	-	6.583
Other services activities	450	-	450
Other film production revenues	117	-	117
Total film production revenues	100.228	40.509	59.719

Revenues are mainly from non-EU customers (€ 73.8 million) and EU customers (€ 19.1 million); the remainder is from Italian customers.

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

Celebrity Management and Digital Delivery revenues are all from Italian customers.

Note 23 Other revenues and income

As at 30 June 2021, Other revenues and income were recorded for € 125 thousand. The significant reduction compared to 30 June 2020 is connected with the absence during the period of transactions for the transfer of rights to receive the income due from the economic rights of the films.

€/000	30-Jun-21	30-Jun-20	Change
Back-end right sale income	-	8.614	(8.614)
Other income	125	2	123
Total other revenues and income	125	8.616	-

Note 24 Tax credits and other government grants

The item consists mainly of the tax credit for cinema production: it refers to the tax relief deriving from the tax credits granted to film production companies in relation to the costs incurred for the production of audiovisual works of Italian nationality.

A breakdown of the tax credits and the other government grants is provided below:

€/000	30-Jun-21	30-Jun-20	Change
Tax credit for cinema production	10.341	3.662	6.679
The Poison Rose	-	105	(105)
Arctic Friends web series (different seasons)	6.117	2.427	3.690
Tell it like a Woman	153	217	(64)
Waiting for the Barbarians	26	913	(887)
Eddie & Sunny	-	-	-
Puffins web series (various seasons)	4.045	-	4.045
R&D tax credit	558	1.311	(753)
Arctic Friends web series	558	1.311	(753)
Total tax credits and other government grants	10.899	4.973	5.926

Note 25 Costs for services

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

€/000	30-Jun-21	30-Jun-20	Change
ADV costs	-	503	(503)
Celebrity management costs	1.861	-	1.861
Costs for providing services	534	-	534
Costs for digital delivery	156	-	156
Travel and lodging	120	29	91
Misc. administrative expenses	201	176	25
Bank fees	18	34	(16)
Technical consulting	113	207	(94)
Marketing costs	123	6	117
Insurance costs	2	22	(20)
Fees to Directors	515	125	390
Rentals and leases	133	35	98
Fees to Board of Statutory Auditors	20	60	(40)
Other costs for services	94	50	44
Total costs for services	3.890	1.247	2.643

The increase in the item compared to the previous period is mainly due to costs incurred for the activities of Celebrity Management relating to the subsidiary RED Carpet S.r.l.

Note 26 Personnel expenses

The Personnel expenses item during the period increased, mainly in connection with the recruitment plan of Iervolino Studios d.o.o.

Note 27 Amortisation/depreciation, write-downs and provisions

The Amortisation/depreciation, write-downs and provisions item and the relative comparison with the balances of the corresponding period of the previous year are detailed in the following table:

€/000	30-Jun-21	30-Jun-20	Change
Amortisation of intangible assets	92.960	41.601	51.359
Amortisation of The Poison Rose	-	422	(422)
Amortisation of Arctic Friends WS	59.818	23.950	35.868
Amortisation of Puffins WS	28.646	13.121	15.525
Amortisation of Waiting for the Barbarians	90	3.221	(3.131)
Amortisation of Tell it like a Woman	1.804	862	942
Amortisation of other rights	2.584	18	2.566
Other intangible assets	18	7	11
			-
Amortisation of rights of use	-	7	(7)
Depreciation of tangible assets	33	9	24
Amortisation/depreciation	92.993	41.617	51.376
Write-downs and provisions	-	-	-
Total amortisation/depreciation, write-downs and provisions	92.993	41.617	51.376

The increase in amortisation/depreciation is connected with the application of the "film forecast computation method", based on which the amortisation/depreciation at the reporting date is calculated in relation to the useful life of the asset and estimated, having regard to the specific characteristics of the individual productions and their visibility, prudentially over a maximum time horizon of four years.

Note 28 Financial income and expenses

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

€/000	30-Jun-21	30-Jun-20	Change
Gains on exchange rates	112	464	(352)
Other financial income	-	-	-
Total financial income	112	464	(352)
Interest expense on loans	366	153	213
Amortised cost	129	-	129
Losses on exchange rates	1.345	631	714
Other financial expenses	177	77	100
Total financial expenses	2.017	861	1.156

Note 29 Income taxes

The breakdown of the Income taxes item is as follows:

€/000	30-Jun-21	30-Jun-20	Change
IRES	1.216	2.028	(812)
IRAP	254	362	(108)
Taxes from previous years	(294)	(110)	(184)
Deferred taxes	(426)	(270)	(156)
Total income taxes	750	2.011	(1.261)

The difference between the standard tax rate for IRES, at 24%, and the effective tax rate, at 6%, is mainly attributable to the combined effect produced by: (i) an increase related to the amortisation of intangible assets for € 23.4 million; (ii) a decrease of € 10.9 million in revenues from public grants; (iii) a decrease related to the amortisation rate of intangible assets recovered for taxation in 2021 for € 22.3 million.

Note 30 Earnings per share

The basic earnings per share is calculated by dividing the profit for the year attributable to the Group's ordinary shareholders by the weighted average number of ordinary shares in circulation during the period.

Diluted earnings per share is calculated by dividing the profit to be attributed to the Group's ordinary shareholders (after adjustment to take into account the interest on the convertible bonds) by the weighted average number of ordinary shares outstanding during the year and by those deriving from the conversion of all convertible bonds.

The result and information on the shares used for the purpose of calculating basic and diluted earnings per share are shown below:

€/000	30-Jun-21	30-Jun-20
Weighted average number of ordinary shares for calculating basic earnings per share	24.016	22.393
Profit for the year	12.349	9.598
Basic earnings per share (ordinary shares)	0.51	0.43
Bonds convertible into ordinary shares	-	1.575
Diluted earnings per share (ordinary shares)	0.51	0.40

Note 31 Other information

31.1 Related-party transactions

The financial and economic transactions of the Issuer with related parties from 1 January 2021 to 30 June 2021 are as follows:

€/000	Trade receivables	Other assets	Trade payables	Other liabilities	Revenues	Costs
€/000	€/000	€/000	€/000	€/000	€/000	€/000
TATATUS.p.A.	-	1.721	-	-	-	-
Total transactions with related parties	-	1.721	-	-	-	-
Total balance sheet items	34.482	123.706	40.475	38.287	114.170	99.166
Weight on balance sheet items	0%	1%	0%	0%	0%	0%

No related-party transactions were carried out during the period. The balance of receivables from Tatatu S.p.A. concerns a receivable due in 2023 for the consideration paid for the closure of the ADV business unit (€ 1,089 thousand) and a trade receivable (€ 641 thousand).

The financial and economic transactions of the Issuer with related parties from 1 January 2020 to 31 December 2020 are as follows:

€/000	Trade receivables	Other assets	Trade payables	Other liabilities	Revenues	Costs
€/000	€/000	€/000	€/000	€/000	€/000	€/000
TATATUS.p.A.	-	1.731	-	-	1.090	-
Total transactions with related parties	-	1.731	-	-	1.090	-
Total balance sheet items	16.876	113.295	25.289	37.752	120.735	98.695
Weight on balance sheet items	0%	2%	0%	0%	1%	0%

The transactions carried out by the Group with related parties at market conditions concern the

consideration paid by TATATU Enterprises Ltd (now TATATU S.p.A.) to Iervolino & Lady Bacardi Entertainment S.p.A. following the closure of the ADV business unit.

31.2 Fees due to the Independent Auditors

The following table shows the fees for auditing services and for other services provided by the Independent Auditors:

€/000		
Service	Party	Total
Limited audit of the half-year financial report as at 30 June 2021	EY S.p.A.	20
Total		20

31.3 Commitments and guarantees given by the Group

As part of its activities, the Group has received and given guarantees to obtain financial credit lines to obtain short- and medium/long-term credit lines.

€/000		30/06/2021
Guarantees given by the Group		4.364
Guarantees received by the Group		9.930
Total guarantees given and received		14.294

31.4 Information pursuant to Art. 1, para. 125, Italian Law no. 124 of 4 August 2017

In compliance with the obligations of transparency of public disbursements introduced by Art. 1, paras. 125-129 of Italian Law no. 124/2017, it should be noted that in regard to tax credits for independent producers of audiovisual works pursuant to Art. 8, para. 2, of Italian Decree Law no. 91 of 8 August 2013; Italian Min. Decree of 5 February 2015; and Italian Min. Decree Tax Credit 15/03/2018 referring to Arts. 15 and 16 of Italian Law no. 220 of 14 November 2016, a breakdown of the tax credit accrued in 2019, 2020 and 2021 is provided below:

€/000				
Granting authority	Title of work	Tax credit accrued as at	Tax credit accrued in	Tax credit
		30 June 2021	2020	accrued in 2019
Mibact	Tell it like a Woman	-	-	2.620
Mibact	Arctic Friends web series (various seasons)	5.908	6.177	3.986
Mibact	Puffins web series (various seasons)	5.348	3.971	2.181
Mibact	Waiting for the Barbarians	-	520	4.187
Mibact	Eddie & Sunny	-	1.233	-
Total		11.256	11.901	12.974

31.5 Subsequent event

On 27 July 2021, the parent company ILBE completed successfully the issue of a bond loan for a total principal amount of € 10,000,000 with maturity in 2028. The resources collected will be used by the Group for the production of film and audiovisual works.

The issue of the bond loan is part of the "Basket Bond di Filiera" transaction, the € 200 million programme promoted by Cassa Depositi e Prestiti and UniCredit with the aim of financing development plans of companies belonging to the strategic chains of the Italian economy, in Italy and abroad.

Specifically, the bond issued by ILBE is dedicated to companies operating in the culture sector.

The bond loan has a duration of 7 years and half-yearly instalments, it will be of the “amortising” type with a pre-amortisation period of 12 months. The bonds will bear interest at the nominal gross annual fixed rate of 2.55% to be paid, with reference to the first coupon, in advance about the fifteenth day after the issue date and, with reference to subsequent coupons, in arrears every six months.

31.6 Transactions resulting from atypical and/or unusual operations

In the period between 31/12/2020 and 30/06/2021 no atypical and/or unusual transactions were carried out.



Iervolino & Lady Bacardi

Entertainment S.p.A.

Review report on the interim condensed consolidated
financial statements as of June 30, 2021

(Translation from the original Italian text)

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

To the Shareholders of
Iervolino & Lady Bacardi Entertainment S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of consolidated comprehensive profit/(loss), the statement of changes in shareholders' equity and cash flow statement and the related explanatory notes of Iervolino & Lady Bacardi Entertainment S.p.A. and its subsidiaries (the "Iervolino & Lady Bacardi Entertainment Group") as of 30 June 2021. The Directors of Iervolino & Lady Bacardi 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 Engagement 2410, "Review of Interim Financial Information Performed by Independent Auditor of 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 & Lady Bacardi Entertainment Group as of June 30, 2021 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.

Rome, September 23rd, 2021

EY S.p.A.
Signed by: Andrea Eronidi, Auditor

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