



Consolidated Half-Year Financial Report as at 30 June 2022

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

Registered Office: Via Barberini n. 29 - 00187 - ROMA

Registered in the Register of Companies of: ROME

Fiscal code and VAT number: 11636381003

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Subscribed capital EUR: 1,410,427.92 fully paid up

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ILBE GROUP MANAGEMENT REPORT FOR THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AS AT 30 JUNE 2022

1. Introduction

The condensed consolidated half-year financial statements as at 30 June 2022 of the Iervolino & Lady Bacardi Entertainment Group (hereinafter also referred to as the ILBE Group or the Group) 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., Wepost S.r.l., Iervolino Studios d.o.o. e Sobe Sport S.r.l., which last represented a variation from the scope of the previous financial year.

The consolidated half-year financial statements as at 30 June 2022 is due with total revenues amounting to EUR 83,260 thousand and an EBIT, before some non-recurring charges of EUR 1,511 thousand, of EUR 11,207 thousand. The EBIT margin for the half year was 13.46%.

At the same time, the net financial position (net of the net effect of EUR 2,095 thousand all of the year 2022 of IFRS 16 relating to the new lease contracts) is improving to EUR 26,531 compared with 31 December 2021 equal to EUR 29,289.

The results obtained are consistent and consistent with the backlog and the projects under development and the guideline of the foreseeable evolution of management represented in the consolidated management report of the previous year.

These results are, moreover, in line with the strategic choices of:

- (i) Investing in quality Intellectual Properties;
- (ii) essentially international market choice and, predominantly, aimed at a streaming audience;
- (iii) Prioritise growth and value creation over time over short-term profitability;
- (iv) Investment and growth in the context of financial balance.

In this regard, the successes of appreciation with the international and national public on SKY-cinema, Apple TV, SKY-Dea Kids and Amazon Prime Video of the collections of "Arctic Friends", "Puffins", Waiting for the Barbarians, In Dubious Battle - Il Courage of the Last, The Bleeder, The Humbling, Shiraz - The City of Roses, Beyond the Edge, and others, confirm the goodness of the choices made.

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

The global entertainment and media (M&E) industry experienced a major increase last year, strongly outpacing overall global economic growth. Following a pandemic-related 2.3% decline in 2020, M&E revenues increased 10.4% in 2021, from USD 2.12 trillion to USD 2.34 trillion.

The industry is becoming more digital, more mobile and more youth-oriented. Virtual reality (VR) and games are powerful growth drivers, while digital advertising permeates the entire industry.

The Outlook results expected from a sector study by an important international consulting firm include:

- ✓ Global video game and eSport production totalled USD 215.6 billion in 2021 and are projected to grow at an 8.5% CAGR to USD 323.5 billion in 2026. Asia Pacific generated the lion's share of revenue in 2021 with USD 109.4 billion, nearly double that of North America, the second-highest region. Gaming is now the third largest category of M&E content that consumes data, behind video and communications.
- ✓ VR continues to be the fastest growing M&E segment, albeit from a relatively small base. Global spending on virtual reality increased 36% year-on-year in 2021 to USD 2.6 billion, after growing 39% in 2020. Growth between 2021 and 2026 is expected at 24% CAGR, bringing the segment to USD 7.6 billion. Gaming content is the largest contributor to VR revenue, grossing USD 1.9 billion in 2021. This is expected to increase to USD 6.5 billion in 2026, 85% of total virtual reality revenue.
- ✓ The spread of advertising across the digital world has made it a dominant industry category. After a nearly 7% decline in 2020, advertising grew an impressive 22.6% in 2021 to USD 747.2 billion. Driven almost entirely by digital, advertising is set to grow at a CAGR of 6.6% until 2026. Internet advertising revenues are seen growing even faster, expanding to 9.1% CAGR. In 2026, advertising is projected to be a USD 1 trillion market and the largest M&E revenue stream, having outpaced consumer spending and internet access.
- ✓ After growing 35.4% in 2020, over-the-top (OTT) videos increased another 22.8% in 2021, driving revenues to USD 79.1 billion. The pace of growth in OTT revenues will moderate slightly; it is expected to grow at a CAGR of 7.6% through 2026, driving revenues to USD 114.1 billion.
- ✓ Traditional TV, besieged by competition from OTT streaming services, still generates sizable revenues, but its inexorable decline will continue, with global revenues expected to shrink to a -0.8% CAGR from USD 231 billion in 2021 to USD 222.1 billion in 2026.
- ✓ Global movie revenue is rebounding, reversing losses caused by the pandemic, and is expected to reach a new high of USD 46.4 billion in 2023. Box office revenue is projected to reach USD 49.4 billion in 2026 from USD 20.8 billion in 2021, a CAGR of 18.9%. China has overtaken the United States to become the largest film market in the world in 2020 and is expected to maintain this leadership until 2026.
- ✓ Live music revenue is projected to surpass pre-pandemic levels in 2024. Digital music streaming subscriptions are driving growth in the recorded music industry, where revenues are projected to increase from \$ 36.1 billion in 2021 to \$ 45.8 billion in 2026.
- ✓ Content growth is fuelling mass data consumption: 2.6 million petabytes (PB) of data were consumed in 2021 and is expected to increase at a CAGR of 26% to reach 8.1 million PB by 2026. The game will be the fastest growing consumer of data over the forecast period, with an expected CAGR of 29.6%. Mobile phones will be the fastest growing device category between 2021 and 2026, with a CAGR of 28.8% and are expected to drive mobile data consumption from 1.1 million PB to 3.8 million PB.

Essentially, what emerges as the M&E market trend is that the choices billions of consumers make about where they will invest their time are fuelling the transformation of the industry and driving trends. We are essentially seeing the emergence of a global M&E consumer base for the next few years that is younger, more digital and more streaming and gaming than the current consumer population. This is shaping the future of the industry.

North America dominates M&E per capita, but the fastest growth lies elsewhere.

Regionally, North America has by far the highest per capita M&E spending, at USD 2,229, nearly double Western Europe's USD 1,158. In contrast, Asia Pacific, which was the largest M&E region by revenue in 2021 with USD 844.7 billion, has a per capita spend of USD 224. The Middle East and Africa have the lowest per capita M&E spending of any region globally, at USD 82.

The top ten growing markets for CAGR, meanwhile, are focused in Latin America, the Middle East, Africa and Asia, with OTT video and games providing the majority of revenue growth, and esports and cinema are also seeing rapid growth. Turkey (estimated CAGR at 14.2%), Argentina (10.4%), India (9.1%) and Nigeria (8.8%) are in first place for the growth prospects of consumer M&E spending over the period five-year forecast.

NFT opportunities

NFTs (Non-Fungible Tokens) are digital certificates of authenticity. NFTs demonstrate ownership of a unique digital asset such as a work of art, a song, a collector's item, a film or video or anything else with blockchain technology.

Thus, if you buy a physical painting, you know it is real because you see the artist's signature on the canvas. Someone can photocopy the painting, but they don't own it. You do. Before NFTs, digital assets were like photocopies: you can see who has published something, but you cannot see who owns an Instagram post, a Pinterest Pin or a Reddit meme.

NFTs are like a signature for digital objects: they authenticate the ownership of digital assets. Just like physical certificates, they document: (i) who created it; (ii) when it was created; (iii) who bought it (and when); (iv) the price at which it was sold; (v) who owns it now.

This is public via a blockchain, so anyone can track your NFTs from the original creator to your wallet and verify their authenticity (even friends calling you crazy for buying a profile picture).

But owning digital resources is more than 'nice to have'. It is a fun hobby. Some NFTs unlock digital (or physical) experiences, grant access to exclusive communities, allow you to contribute to projects, and grant premium access to software products.

NFTs are increasingly gaining ground in the art, entertainment and business worlds, changing paradigms through a very specific dynamic: guaranteeing fans the true and certified unique ownership of work by their favourite artist. Having landed in Italy over the past few months, the NFTs have arrived at the cinema. There are many NFTs made with films. The opportunities are only beginning, but there is no doubt that this is a new possibility for exploiting works.

The metaverse

In the not too distant future the metaverse could become an incredibly realistic world where people access immersive virtual experiences, through a VR headset or other connecting device. Given that the metaverse is an evolution that can profoundly change the way companies and consumers interact with products, services and each other, its potential financial and economic value goes far beyond VR. Over time, much of the productions associated with video

games, music shows, advertising and even e-commerce could migrate to the metaverse.

How big is the M&E opportunity in the metaverse? The rapidly growing market for VR is a starting point to consider. It is currently one of the smallest segments monitored, but the 36% increase in global production over the past year is an indication of its long-term potential. The global installed base of stand-alone and tethered VR headsets is expected to grow from 21.6 million in 2021 to 65.9 million in 2026.

With the impressive growth and potential of the M&E sector, there is also enormous volatility in the markets and what can be described as a rift line that opens between companies, within sectors and across geographies and generations.

The challenge and the goal will be to understand the consumer and end up on the right side of the disruption.

3. The ILBE Group's business model

The ILBE Group is a Global Production Group specialising in producing film and television content, including web series, films, TV shows and short TV shows. It has relationships with leading international partners and interacts with internationally renowned actors and actresses to develop audiovisual productions for international distribution.

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

- ✓ Film and audiovisual content production activities;
 - ✓ The exploitation of rights and IP in the portfolio. Specifically, in the area of 'animation' products, the licensing of characters and pipelines (processes and working methods for the production of animated content), plus the exploitation of distribution rights;
 - ✓ 'Service' activities, i.e. executive production carried out for other producers;
 - ✓ post-production, which is the activity of the subsidiary Arte Video S.r.l. and from next year also of the subsidiary Wepost S.r.l., which is completing investments in the studios. Arte Video is also the official encoding house for Apple iTunes, GooglePlay, Sony Entertainment, Amazon Prime Video, Microsoft, and Rakuten;
 - ✓ celebrity management and advertising, communication & marketing consultancy activities carried out by the subsidiary R.E.D. Carpet S.r.l. and by Sobe Sport S.r.l., recently acquired.

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

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

The Group starts the production of cinematographic and audiovisual contents after having stipulated contracts for the concession of the right to use its own intellectual properties that provide for the payment of the so-called guaranteed minimum, thus transferring the performance risk of the work to international distributors.

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

Revenues and income from the production or distribution of film and audiovisual works (TV series) are divided into four broad categories:

- ✓ Revenues deriving from granting the right to exploit Intellectual Properties through the so-called guaranteed minimum right (MG) to the sales agent or distributor, which represent the majority of the work revenues; these revenues are realised at the time of its 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, the duration of which varies according to the intrinsic characteristics of the individual works;

The collection of the MG generally takes place on average between five to six months after delivery to the customer, but also over a year. In this case, the greater share in the film's income compensates for the greater financial exposure;

- ✓ Income from Government Grants (tax credits or other contributions to the cost of production) is accounted for in connection with the realisation of revenue from granting international distribution rights and the realisation of back-end revenue regarding the reasonable certainty of receipt.

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

- ✓ Revenues from the distributor's share of the income after the MG (so-called backend, of which the distributor is obviously responsible for the majority). In this case, these revenues are recognised when they are realised, i.e. when they are collected, which generally takes place over a long period of time, or, in the case of sales to third parties when the relevant rights are transferred.

The collection of backend revenues occurs at the time of realisation, which normally takes place within a long-term time horizon;

The backend of the web series also includes the licensing of characters and pipelines both in Italy and abroad, which, in this type of work, realise the dominant share of revenues after the guaranteed minimum of distribution. This should be seen in this context: (i) the activities of Iervolino Studios d.o.o. (Serbia) for the production of episodes of the web series Puffins: Impossible for several episodes to be produced for the commissioning producer in line with the development plan; (ii) the licensing of characters and processes and methodologies for the animated production. These investments also have the indirect benefit of enhancing the value and commercialisation of the IP owned and, therefore, the possibility of creating new lines of business through the commercial exploitation of the same, such as merchandising or video games.

It should also be noted that the latter transactions are generally part of overall agreements with producers that also provide for significant investments by the Group in distribution rights for the works to be produced. While this quantitatively and qualitatively increases the Company's library of distribution rights, which will have a financial manifestation in terms of receipts in future years, it also has a significant financial absorption that reduces the net receipts from 'service' activities that also involve the sale of pipeline rights, i.e. other rights.

- ✓ Income from distribution rights or the sale thereof.

The cost of sales of cinematographic and audiovisual works, recorded in the types of revenue mentioned, is represented by the share of the financial year of the amortisation of the works or rights whose costs, during the realisation phase, are recorded in the intangible assets. These investment costs are paid very quickly.

Amortisation is calculated following the international accounting standard illustrated in the notes to the financial statements of the 'film forecast computation method', which is determined over the time horizon in which the intangible asset will generate revenues. Based on the peculiarity and visibility of the individual productions or distribution rights forecasts, the amortisation period is estimated to be a maximum of four financial years. Accordingly, at the end of the fourth financial year, the work, or the related rights, will have a net carrying amount of nil even though it will not have completed its ability to generate cash through possible exploitation in the years after the fourth financial year.

Revenues and margins deriving from the Group's other activities other than the production of films and audiovisual products are recorded on an accrual basis based on the production carried out.

For IFRS 8 - the Group's activities can be identified in three operating segments, details of which are set out in Note 3 to the financial statements:

- ✓ Film productions including rights exploitation 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. These activities are carried out in all group companies;
- ✓ Digital delivery activities. This activity is a part of the activity carried out by Arte Video.
- ✓ Celebrity management and consultancy in ADV, communication & marketing. This activity is a part of the activity carried out by Red Carpet and Sobe Sport.

4. The activities carried out in the first half of 2022

Productions

Regarding management activities, we highlight the main activities of the parent company ILBE relating to productions:

Puffins

'Puffins the series' is an animated web series, a spin-off of the animated family film 'Arctic Friends'. The episodes, each about five minutes long, will have as their main subjects the 'sea puffins', literally 'sea puffins', the cute and mischievous creatures of "Arctic-Friends".

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

The Company will also be able to create merchandising activities around the Johnny Puff character, which will retain the actor's distinctive features and introduce them to the market at an international level.

The success on the Apple TV, Amazon prime and SKY - DEA kids platforms was also significant for the Puffins, where the first season was ranked first in Italy in the family ranking.

During the first half of In 2022, 61 animation episodes version were produced and delivered to the customer, resulting in recognition of revenues for a total of EUR 20,236 thousand (including government grants).

The IP Puffins enhancement strategy also continued: the DeAgostini Group was identified as the ideal partner for the development of a project aimed at positioning and increasing brand awareness, as well as enhancing IP.

The project, consisting of several phases aimed at achieving strategic objectives with different and complementary touchpoints, provided for the granting of programming rights to 60 episodes of the animated series Puffins, for the first time in Italy on Sky's DeAKids -601 channel. - and on an on demand platform. The airing of the series achieved exceptional ratings (+ 246% compared with the channel average). These data allow us to best sell the series and all the spin-offs in preparation: Puffins Impossible, Baby Puffins & Bunny.

In addition, a strategic enhancement of the product has begun with the creation of an original production of short clips with two exceptional talents, Matt and Bise, two faces recognized as real authorities among Italian youtubers.

To maximise the results obtained and therefore the brand positioning within the kids & family target, a multimedia marketing strategy (digital, press, adv) was studied in parallel. In addition, the initials and other extra contents have been created from scratch: "What you do not know about the Puffins", "A day from Puffins" and "Meet the Puffins", again aired on DeAKids Sky channel 601. The aforementioned programmes achieved + 71% of the channel average.

Between May and June 2022 the Puffins product was present in important BTB fairs and festivals such as the "Toys" in Milan and the "Cartoons On the Bay" in Pescara. At "Cartoons on the Bay", an event promoted by Rai and organised by Rai Com, the product received a Special Award as the best cross-media product.

In June, the Puffins were present at the Annecy Animation Festival, an important event dedicated to animated cinema.

On 15 September, The Puffins were present at the Milan Licensing Day, the reference event for the licensing market.

The strategy is to significantly launch the YouTube channel, licensing and merchandising in 2023.

Amongst the ideas under development is to make our animations INCLUSIVE and suitable for all children including autistic children.

Baby Puffins & Bunny

In 2022, the Group began production on a new sequel to the Puffins animated series, entitled Baby Puffins & Bunny, which will consist of a maximum of 405 episodes of 5 minutes each.

During the first half of In 2022, 54 episodes in the animatics version were produced and

delivered to the customer, resulting in recognition of revenues for a total of EUR 13,662 thousand (including government grants).

State of Consciousness

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

'State of Consciousness', like every film covered by the agreement with Paradox, qualifies as an Italian film and is therefore subject to a government grant and European quota rules.

For financial year 2022, revenues related to the delivery of the film were recorded for a total of EUR 4,508 thousand (including government grants).

MUTI

August 2021 saw the start of the production of 'MUTI', starring Oscar winner Morgan Freeman. The cast is completed by: Cole Hauser, Vernon Davis, Peter Stormare and Giuseppe Zeno. The film is directed by George Gallo, Francesco Cinquemani and Luca Giliberto. Synopsis: Unable to process the grief over his daughter's death, Detective Lukas, a few days from retirement, launches into a dramatic hunt for a mysterious serial killer who kills according to a brutal tribal ritual: the Muti. The only one who can help Lukas is Professor Mackles, an anthropologist of African origin who hides an unmentionable secret.

Filming began in Mississippi (USA) and continued later in Italy. ILBE has signed agreements with RedBox Entertainment for distribution in the US and Canada and WWPS for worldwide distribution (excluding Italy, US and Canada).

This project involves authors of Italian nationality for an Italian film intended for the global market. Also important is the agreement with RedBox, a top American company in the sector.

For financial year 2022, revenues related to the delivery of the film were recorded for a total of Euro 14,380 thousand (including government grants).

GIVING BACK GENERATION 2

The 12-episode series features groups of famous guests opening up and discussing important issues and life lessons facing today's teens and young people such as friendship, empowerment, inclusion, kindness and positivity with one goal: "Give back", make a difference and positively influence the listener. The guests of the second season are the following: Taylor Thompson, Tanya Rad, Leonor Varela, Emil Nava, Selena Gomez, Ashley Cook, Serena Poon, Gabe Kennedy, Elisa Sednaoui Dellal, Leo Gassman, Giulia De Lellis, Miguel Gobbo Diazl, Giulia Stabile.

For financial year 2022, for a total of EUR 1,753 thousand was recorded (including government grants).

The main current productions

Ferrari

In 2022, executive production of the highly anticipated "Ferrari" film began through the associated company "Welcome to Italy". The film is written, directed and produced by four-time Oscar nominee Michael Mann and stars Oscar nominee Adam Driver as Enzo Ferrari, Oscar winner Penélope Cruz as Laura Ferrari, Shailene Woodley as Lina Lardi, Patrick Dempsey as racing car driver Piero Taruffi, Jack O'Connell as driver Peter Collins, Sarah Gadon as Linda Christian and Gabriel Leone as the charismatic Fon De Portago.

In the Fire

In 2022, production began on the film In the Fire. The direction was entrusted to Conor Allyn, director, screenwriter and producer of Texan origins, who has already directed "No Man's Land" in the 2021 contemporary western set between the Mexican border and the United States. Previously, he directed "Walk Ride Rodeo", "Java Heat", as well as various international productions.

The film is expected to be delivered in the second half of 2022.

GIVING BACK GENERATION 3

The 13-episode series features groups of famous guests opening up and discussing important issues and life lessons facing today's teens and young people such as friendship, empowerment, inclusion, kindness and positivity with one goal: "Give back", make a difference and positively influence the listener. The guests of the second season are the following: Sarah Dubbeldam, Imani Mcgee-Stafford, Jay Shetty, Radhi Shetty, Leah Haywood, Chari Hawkins, Charles Lew, Genevieve Medow-Jenkins, Natalie Manuel, Arianne Phillips, Irma Testa, Gabriel Garko, Guillermo Mariotto e Alessio Sakara.

Delivery is expected in the second half of 2022.

Mahmood

"Mahmood" is the story of the artist's life, his dearest affections, the music, the victories in Sanremo, Eurovision, the European tour and the backstage of his works. The docufilm tells, through the voice of Alessandro Mahmoud and the testimonies of artists such as Blanco, Carmen Consoli and Dardust, the path that, as a boy born and raised in the Milanese suburbs, led him to success.

Delivery is expected in the second half of 2022.

Red Valley

In 2022, Italians spend more time listening to music (19 hours a week) than eating. It is said that "we are what we eat", perhaps today we are becoming what we hear. This summer the most listened to artists of the year performed at the Red Valley Festival. This documentary is a conversation with them in an attempt to better understand music.

Delivery is expected in the second half of 2022.

Distribution rights

Revenues from distribution rights amounted to EUR 260 thousand.

Service activities, including licences for the exploitation of Intellectual Properties

These activities totalled EUR 25,341 thousand, including the Puffins: Impossible animated series, also including the sales of licences for the exploitation of Intellectual Properties relating to the concessions of the characters of the characters of the web series Puffins.

Post-production and service activities for streaming platforms, 3D encoding & animation

Film post-production and service for streaming platforms for video on demand are the core business of Arte Video S.r.l.. A company recognised as an 'Official Encoding House' by the most important brands in the sector, such as Apple iTunes (Apple iTunes Preferred, one of the 4 companies in the world), GooglePlay, Sony Entertainment, Amazon Prime Video, Disney+, Microsoft and Rakuten. In addition to developing and implementing projects in the field of Film and Video Production and Post Production, it provides services for the creation of print matrices for DVD and Bluray, 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 DCP (Digital Cinema Package) film projection matrices, the creation of KDMs (DCP matrix decryption keys) for cinemas and, finally, it creates 2D and 3D animations.

Financial year 2022, in the wake of 2021 which was a year of change in the on-demand platform sector, sees the birth of new international platforms that take advantage of the services offered, such as the recent Paramount+. The already consolidated basis related to the certifications of 'Authorized Encoding House' made the company chosen for the creation of new services for the public related to the TV Channels of Apple and Amazon Prime Video; in fact, Arte Video Srl created, and still manages in exclusive national rights, the Minerva Channel for Apple and several channels for the Amazon Prime Video platform such as Nexo+, Zelig, I-Wonder-Full, Cecchi Gori Entertainment and has created the Juventus Channel and Mediaset Infinity Channel. Arte Video S.r.l. is the only Italian company certified by Apple to create TV Channels packages.

The streaming video sector, which is constantly developing, is characterised by aggregators that rely on Arte Video to manage film packages. These include WarnerBros, RaiCom, Minerva, Koch Media, CG ENT, Sweet Chili Ent, Under The Milkyway, and Pathè. They have chosen the company for the quality of the checks carried out on the video/cinematographic masters before they are released onto the market and the technologies applied to create the finished products. The DVD and BluRay sector sees the company supporting several Italian distributors. Several new films that are in the making, such as Il Conformista UHD and dozens of titles that have been completely made in the corporate studios, we remember among all Waiting for the barbarians, Morrison, Proxima, Nuovo Cinema Paradiso, Erasehead, Opera , Infernal affairs, Arrow, Kyashan, Drive My Car and Parasite (winner of 4 Academy Awards), for which Arte Video has created graphics, encoding, DVD authoring, Bluray HD Java and BluRay UHD Java.

The award received in 2021 "Apple Preferred Encoding House Award", sees in 2022 Arte Video as one of the 4 companies in the world recognised as "preferred" by Apple.

In addition to the streaming business, the company is developing new film post-production projects. For example, it has developed activities in graphic animation for cartoon series such

as Puffins: Impossible, Puffins and Arctic Friends (series that have been in Apple's TOP 10 for several months). The 2D -> 3D encoding process for the various mobile devices present on the market provides for 3D encodings in various formats (Anaglyphic Red/Cyan, Anaglyphic Green/Magenta, SideBySide and Top/Bottom) for dozens of devices per single episode or film; encodings are carried out internally with an exclusive licence for the Italian territory.

In addition to 3D animation, which will see further developments with new formats for the next four years, the company has completed and is working in the Post Production of several films (both for the parent company and for other end customers such as, for example, Minerva Pictures) such as In the Fire, Kid Santa and Billie's Magic word.

In recent months, new projects have been developed for immersive 360° cinema and for the creation of APPs for mobile devices and tablets on iOS and Android systems, in addition to the consolidated web.

These service activities have allowed the company to consolidate the workforce in the various locations, reaching about thirty people with permanent and project-based hires.

Currently Arte Video is present in Palmanova (UD), Rome, Pasadena in California (Hollywood area) with the subsidiary Arte Video LLC and the possibility of being present also in the English market with a possible office in London is being evaluated.

Celebrity management and consultancy and production in ADV, communication & marketing

The casting, celebrities management and production of digital ADV content, communication & marketing activities are carried out by the subsidiaries R.E.D. Carpet S.r.l. (hereinafter also referred to as Red Carpet) and by SoBe Sport S.r.l.

In the first half of 2022 Red Carpet confirmed the positive trend achieved in the second half of 2021. In fact, during these months, the Company has kept the customers already consolidated in 2021, acquiring new ones and opening up with the latter to new scenarios.

Red Carpet has consolidated collaborations with its customers such as media centres (e.g.: GroupM, Omnicom) and broadcasters (e.g.: Amazon Prime Video, DAZN, RAI), creating valuable activities for customers such as Ferrero, McDonald's and activating new collaborations with customers of the calibre of Kia, Barilla and Poste Italiane.

Thanks to its seniority and its creative ideas, Red Carpet has won large-scale tenders, confirming itself as one of the reference agencies for the creation and production of important projects in the entertainment sector, such as:

- Glo Hyper X2
- World Street Skateboarding 2022
- Alè Europe

ADV Digital Productions

GLO: Red Carpet was awarded the tender launched by the GLO brand for a value of approximately EUR 1.2 million for the creation and implementation of the 2022 social campaign based on the More Than Music format. The format involves the conception of a mash-up activity created by two artists who are completely opposite both in style and personality. The project will be visible on Glo's social platforms and will be divided into various phases and followed by a

moderator who will act as the glue.

Mulino Bianco: for Mulino Bianco, in collaboration with Optimum Media Group and Publicis, Red Carpet has completed the production of video content aimed at creating a social campaign on Instagram, Facebook and YouTube, focused on the "Pangoccioli" product.

Barilla: Barilla has launched a new bronze pasta line on the market that represents a new beginning of the brand. Red Carpet curated the social campaign by selecting together with Omnicom Media.

McDonald's x Minions: the talents selected by Red Carpet, Alessia Mancini, Flavio Montrucchio, Fabrizia Spinelli, Matteo Viviani and Ludmilla Radchenko, have promoted the Minions beach towels on offer by McDonald's along with the classic Happy Meal on Instagram.

Alfa Tonale: Alfa Romeo, with the new Tonale SUV model, is carrying out a campaign on TikTok with 3 talents belonging to the 3 passion points of Tonale: Art & Design, Fashion and Motorsport. The campaign concept is "live unpredictably" and the role of the talents will be to tell Tonale and the concept, through their passions which, for the occasion, will become, precisely, unpredictable. Red Carpet is creating the contents that will then be shared on the talents' social networks.

Celebrity Management

Rai Sport: Red Carpet has selected for Rai the voices that commented on the matches of the 2020 European Football Championships. Red Carpet in fact brought former footballers Antonio Di Gennaro, Claudio Marchisio (in collaboration with Mate Agency) and Manuel Pasqual to the microphones of Rai 1. Given the success achieved, Antonio Di Gennaro, through the contribution of Red Carpet, has renewed his collaboration with Rai Sport for 2022 and will be the voice that will accompany the matches of the national team scheduled for this year.

Fascino PGT: Red Carpet, in 2022, curated the following special guests for *Fascino PGT* within the "C'è Posta per Te" programme conducted by Maria De Filippi:

- the technical commissioner of the Italian national team Roberto Mancini;
- the captain of Napoli and number 10 of the Italian national team Lorenzo Insigne and Salvatore Esposito, Neapolitan actor;
- the defenders of the Italian national team, Leonardo Bonucci and Giorgio Chiellini;
- Charlize Theron, which will air in early 2023.

The workshop - *Che tempo che fa* (What's the weather like): On Sunday 8 May, a new appointment of the programme conducted by Fabio Fazio "Che Tempo Che Fa" was broadcast. The exclusive guest of the episode is the world tennis legend Rafael Nadal, who by virtue of the records and titles achieved on every surface is recognized as one of the strongest tennis players ever, as well as one of the greatest athletes in the history of sport.

Poste Italiane: Red Carpet supported the identification of Poste Italiane's new 2022-2023 testimonial in view of the company's entry into the energy market starting this year. The celebrity identified is Mara Venier. The talent will be involved in various multichannel communication projects with campaigns on new products and services and some specific initiatives on the company's 160th birthday.

In the choice of the testimonial, the characteristics of solidity, credibility, Italian character,

irony and the ability to look with enthusiasm to the future having a great history behind it were important.

Dixan: Red Carpet has identified Laura Chiatti as the new Testimonial for the 2021 campaign, supporting the brand in the TV commercial's management, contract management, and logistics. Given the success of the campaign, the partnership between Laura Chiatti and Dixan has been renewed for the whole of 2022 and negotiations are underway for the renewal in view of the future 2023-2024 campaign.

Zespri: from 6 to 10 July, Zespri kiwis were at the Taste Festival in Rome, which was held at the Foro Italico. There were showcooking with chefs and healthy kiwi-based recipes. Red Carpet has been commissioned to activate on-field influencers related to the healthy and fitness world. The talents selected for the activity are: Juliana Moreira, Massimiliano Rosolino and Ludovica Gargari. The activity was also conveyed on the social profiles of the talents, through Instagram content.

Banijay - Home Restaurant: on Tv8, at the end of May, the first season of Home Restaurant began, broadcast from Monday to Friday at 7.15 pm. Giorgio Locatelli sets out on a journey and enters the homes of Italians. In each episode, two non-professional chefs have the task of following a theme and transforming their home environment into a Home Restaurant, trying to amaze Giorgio Locatelli and a VIP guest. Red Carpet brought Ciro Ferrara into the program to support Chef Locatelli in two episodes of this new adventure.

TikTok: Red Carpet has selected Federico Russo as presenter for the TikTok x Eurovision 2022 show. Federico interviewed three international stars of the calibre of Loreen, Conchita and Duncan on the TikTok stage.

Editorial Michael Kors x Editorial Grazia (Luxottica): Red Carpet has selected the talent Federica Sabatini for the Editorial Michael Kors x Editoriale Grazia (Luxottica).

Mediaset - *Scherzi a parte* (Jokes Aside): Red Carpet has been commissioned by Mediaset to select a talent who can take part in the *Scherzi a parte* programme and organise, together with the victim's family and the authors of the program, the joke to play on the talent itself. The victim selected by Red Carpet was Ciro Ferrara. The episode will air between September and October.

Voiello: this year, Voiello was the sponsor of Procida, capital of Italian culture 2022. On this occasion, there were some events and territorial activations in support of the bond that the brand has with its homeland, celebrating the island and the generosity that unites them. On 13 July 2022, a musical event was held on the island, a secret show that featured an Italian singer-songwriter. Red Carpet has selected for the occasion the talent Sara Daniele, both as a positive figure and in line with the territoriality of the initiative but in particular for the musical activation.

EA Sports: EA has announced an exclusive partnership agreement with Juventus, which means that the Italian giants can now take off the generic colours of Piemonte Calcio and return to the iconic black and white stripes. The return of Juventus is a big move for EA after the club has been absent in previous years. Officially presenting the new multi-year collaboration is one of the legends of Juventus football: Claudio Marchisio. EA Sport, with an official statement, announced that the former Juventus and Italian national team midfielder will be part of the heroes of the popular FIFA 23 Ultimate Team mode. Claudio Marchisio's involvement was curated by Red Carpet.

Consultancy in ADV, Communication & Marketing

Bolton: for Borotalco, in collaboration with MediaCom, RED Carpet created a social campaign on Instagram focused on the product "Borotalco Invisible" for which four talents from the world of art and entertainment were involved: Andreas Muller, Veronica Peparini, Tommaso Stanzani and Giulia Izzo.

McDonald's: Red Carpet has consolidated its collaboration with McDonald's through several Celebrity Management projects.

Nutella: Red Carpet collaborated with the Publicis Kin media centre to hire Alessandro Cattelan for the World Nutella Day activity. The talent has published on his Instagram channel a set of stories and a reel where using the Nutella spreadable cream he told how he lived the World Nutella Day.

Dyson: Red Carpet won the trust of the British brand by obtaining several engagements during the year. RED Carpet supported the brand in celebrity endorsement activities for the promotion of different products related to the world of "Personal Care", "Floor Care" and "Environmental Care".

De Longhi - Kenwood: Red Carpet confirmed also in 2022 its partnership with the De Longhi group, especially with the Kenwood brand, through various partnerships.

Microsoft: BCW, on behalf of Microsoft, on the occasion of the launch of the new Surface was commissioned Red Carpet to create a social spot for which Marco Belinelli was identified as Ambassador.

Pattex: Red Carpet supported the Pattex brand on the occasion of Father's Day to promote the "Pattex Millechiodi Forte & Rapido" product.

KIA: Red Carpet has involved Kia as the official automotive sponsor in Mahmood's career documentary and European tour which will air on Prime Video in October 2022.

New Holland: New Holland will be present, thanks to the contribution of Red Carpet, at the celebratory event to be held in Jesi at the end of the stage of the Giro d'Italia where there will be a party/event with all the management and with the presence of chef Max Santoni .

Garofalo x Marvel: Garofalo has activated a partnership with Marvel for the launch of Thor, the theatrical release of which is scheduled for July. The partnership between Garofalo and Marvel provides for the possibility of activating instant win contests for cinema tickets and a final prize. Red Carpet was responsible for selecting the talents who will have to create and launch the challenge on social networks, with themes related to love and the couple's recipe, to participate in the competition and win the final prizes. In this regard, the talent Juliana Moreira and Edoardo Stoppa were selected for the activity.

Philips 3D: for the launch of the new Philips Sonicare, Red Carpet has been commissioned to create the 3D graphics that will be reproduced on digital billboards to give wide visibility to the new Philips product.

World Street Skateboarding - Award of the race: for the second consecutive year, Red Carpet has been selected by Sport e Salute, the Italian Federation of Roller Sports (Fisr) and World

Skate for the management of the communication and brand awareness of "World Street Skateboarding 2022", which took place in Rome from 26 June to 3 July. The competition was organized by Sport e Salute, in collaboration with FISR and World Skate, and was staged at the Parco del Colle Oppio, where athletes from all over the world competed. Red Carpet was entrusted with the creation of the brand identity of the event and a communication plan to increase brand awareness, with the creation of content for social channels, the activation of media partnerships and the involvement of influencers and personalities of the entertainment world.

Sports marketing activity by Sobe Sport

Continuous management of customers on a daily basis, with particular focus on the most important football matches.

ZAMBROTTA FOR THE FIFA MUSEUM: Gianluca Zambrotta brand ambassador of the FIFA Museum with the aim of promoting the brand in Italy and abroad through social media and media activities/planned events.

CAMBIASSO IN KAZAKHSTAN: Cuchu Cambiasso special guest in Almaty in Kazakhstan for the final stages of the SuperBowl project, a reality show for the selection of young players at national level.

ZAMBROTTA FOR POKER STARS NEWS: periodic collaboration for Gianluca Zambrotta with Poker Stars News, an information site dedicated to all sports, for the creation of content and promotion on social channels.

ADANI FOR COMIX DIARY: collaboration for editorial content and interview given by Lele Adani on the new edition of the Comix diary distributed nationally.

ODDO FOR CONFORAMA: Massimo Oddo guest of the Conforama convention for motivational speech and story of his experience as a footballer and coach.

FOOTBALL LEGENDS ACADEMY: involvement of football legends such as Alessandro Nesta, Gianluca Zambrotta, Javier Saviola, Luis Garcia, Andrea Belotti and other talents linked to the world of football for media activities, training, padel and entertainment within luxury resorts such as the Verdura Resort in Sciacca in Sicily.

BOBO SUMMER CUP 2022: communication management and commercial collaborations for the consumer event linked in this edition to the padel, itinerant and held in the following three stages of Viareggio, Civitanova Marche and Jesolo with the involvement of numerous leading talents such as Christian Vieri, Lele Adani, Antonio Cassano, Nicola Ventola, Bernardo Corradi, Cristian Brocchi, Nicola Amoroso, Alessandro Matri, Giampaolo Pazzini, Cristian Zaccardo, Davide Bombardini, Ludovica Pagani, Costanza Caracciolo, Carolina Marcialis, Carolina Stramare and other talents related to the world of sport and entertainment. Media partnership with DAZN Italia and Gazzetta dello Sport.

POWERADE PADEL CUP 2022: itinerant tournament organised by Powerade Italia (Coca Cola Group) at national level (Catania, Latina, Florence, Bologna, Turin and Milan) involving talents such as Lele Adani, Gianluca Zambrotta, Giampaolo Pazzini, Laura Barriales, Nicolò De Vitis, Nicola Ventola.

AMBROSINI, PAZZINI, MONTOLIVO, BORJA VALERO AND GOBBI FOR DAZN ITALIA: renewal of contracts - Massimo Ambrosini Giampaolo Pazzini, Riccardo Montolivo, Borja Valero, Massimo Gobbi voices as opinion leaders and commentators of DAZN Italy for the Serie A 2022/23 championship.

ZAMBROTTA FOR SERIES A - PRESENTATION OF THE 2022/23 SEASON CALENDARS: Gianluca Zambrotta guest as Serie A Legend for the presentation of the new football championship calendar.

NESTA - SERIE A and BE IT: Alessandro Nesta ambassador for Serie A and be IT at the Italian Football Day event in London.

CAMBIASSO FOR BWIN: Esteban Cambiasso ambassador for the BWIN International final event, organised on the occasion of the UEFA Europa League Final in Seville, Spain.

CAMBIASSO FOR ARMANI: partnership for the supply of Emporio Armani clothes to be worn on the occasion of SkySport broadcasts during Champions League matches.

MILITO FOR BOGGI: collaboration for the supply of Boggi clothes to wear on the occasion of Amazon Prime broadcasts during Champions League matches.

PAZZINI FOR NINTENDO SWITCH: protagonist of the Italian campaign for the launch of the new Nintendo Switch Sports game.

GIRELLI FOR AMAZON PRIME SPORT VIDEO: special guest in the Amazon studio during the transmission of Champions League matches.

ZAMBROTTA FOR DAZN/COCA COLA SUPERMATCH: guest of the special episode Coca Cola Super Match on DAZN to comment live on the Juventus Inter Serie A match together with the Chronicle of Locker room community.

ODETTE GIUFFRIDA FOR LYNKCO: ambassador for the launch campaign of the new Lynkco car in Italy.

PARTNERSHIP WITH PANINI AMERICA: numerous active players and legends such as Paolo Maldini, Shevchenko, Nesta, Gilardino, Crespo, Bergomi, Burdisso, Cambiasso, Romagnoli, Theo Hernandez, Bonucci, Tonali, involved in the partnership with Panini USA.

PIRLO FOR INTESA SAN PAOLO AND GENERALI: involvement of Andrea Pirlo as ambassador for the corporate events organized by Intesa San Paolo and Generali in Belgrade in Serbia and in Zagreb in Croatia.

AMBROSINI FOR UNDER ARMOUR: Massimo Ambrosini brand ambassador for Under Armour Italy.

CAMBIASSO FOR UEFA: involved in various activities and events in partnership with UEFA Legends for internal development projects or media activities at an international level.

ZAMBROTTA FOR MEDIASET - BACK TO SCHOOL: Zambrotta guest in the transmission conducted by Nicola Savino "Back to School" aired on Italia 1.

Internationalisation: development of activities in the Serbian Republic

The Group operates in Serbia through the wholly owned subsidiary Iervolino Studios d.o.o. with operational offices in Belgrade and Novi Sad.

The company's main contract is an executive production activity (service) on behalf of the producer Archangel Digital Studios, a Serbian company owned by the Serbian actor and producer Milos Bikovic (highly regarded in the former Yugoslavian territories, often awarded at national festivals), for the production of animated content.

In detail, the existing agreements provide that Archangel Digital Studios obtains the right to exploit the copyrights of the animated characters of the 'Puffins' series (the 'Intellectual Properties of the animated characters') and the production process (the 'Pipeline') of the ILBE animated web-series. The Group, for its part, will invest in the project and, through its 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 270 episodes for the three-year period 22-24.

During 2022, the development of a project for the creation of content in the Metaverse began.

In the first half of financial year 2022, the production of service activities amounted to approximately EUR 20,139 thousand.

5. Backlog and projects in development

Backlog

At the date of approval of the condensed consolidated half-year financial statements at 30 June 2022, the contracted production portfolio (minimum guaranteed revenues still to be produced), totalling EUR 224.9 million, of which EUR 65.6 million relating to activities in the second half of 2022, breaks down as follows:

- New sequel to the animated series Arctic Friends and Puffins, entitled Baby Puffins & Bunny consisting of 405 episodes lasting 5 minutes each, of which 54 animatics episodes made in the first half of 2022. The backlog of the new animated production is equal to EUR 105.0 million, of which EUR 21.5 million expected in the second half of 2022 and EUR 83.5 million with a production plan divided between the years 2023 and 2024.
- Animated series Puffins, Arctic Friends and Puffins Impossible, in the new avant-garde "short" format for the Tik Tok generations, consisting of 3 series (Mini Puffins Wonder, Swifty, Super Impossible) of 100 episodes lasting 60 seconds each. The backlog of the new animated production is equal to EUR 17.1 million, of which EUR 9.5 million expected in the second half of 2022 and EUR 7.6 million in the first half of 2023.
- Executive production of the animated series Puffins Impossible, and related service activities including licences for the exploitation of IP, consisting of 270 episodes. The backlog of executive production and IP licences is equal to EUR 72.4 million, of which EUR 13.6 million expected in the second half of 2022 and EUR 58.8 million with a production plan divided between the years 2023 and 2024.

- Production of the film *In the Fire* for EUR 4.5 million, scheduled for delivery in the second half of 2022.
- Backlog of the film *Muti*, the production of which was delivered in the first half of 2022, for EUR 2.4 million in the second half of 2022.
- Production of three animated films, based respectively on the characters of the animated series *Puffins (A Stellar Adventure)*, *Arctic Friends (In Search of the Arctic Idol)* and *Puffins Impossible (The Walrus Who Wanted too Much)*, lasting 85 minutes each . The backlog of the new production is equal to EUR 21.0 million, of which EUR 11.7 million expected in the second half of 2022 and EUR 9.3 million in the first half of 2023.
- Production of the *Giving Back Generation 3* project for approximately EUR 1.3 million expected to be delivered in the second half of 2022.
- Production of the *Mahmood* and *Red Valley* projects for a total of approximately EUR 1.2 million in the second half of 2022.

Projects under development

The projects under development relate to the following future activities that the Group will reasonably develop and contract in the next three-year period '23-'25, amounting, at the date of approval of this document, to a rough estimate of assets of EUR 395.5 million.

Specifically, the activities of the projects under development are as follows:

Production activities

The activities of the ILBE Group as a producer over the three-year period '23-'25 are currently estimated at a total of EUR 333.9 million, broken down as follows:

- ✓ Web series, Tik Tok animations and Animation Movie in development in which the Group has decided to invest starting from the current year. To date, some 10 projects are in the development phase with an estimated budget of EUR 184.2 million to be developed over the next three years.
- ✓ Audiovisual projects in development in which the Group has decided to invest since the current financial year. To date, some 9 projects are in the development phase with an estimated budget of EUR 28.3 million to be developed over the next three years.
- ✓ Feature film projects. To date, some 12 projects are in the development phase with an estimated budget of EUR 91.5 million to be developed over the next three years.
- ✓ 'Unscripted' projects. To date, some 16 projects are in the development phase with an estimated budget of EUR 30.0 million to be developed over the next three years.

Service activities (executive production and post-production) and licensing

The activities of the ILBE Group as a service provider, including IP licensor, to a third party producer, are currently estimated at a total of EUR 24.9 million for the next three-year period '23-'25, broken down as follows:

Celebrity management and digital ADV activities

The activities of this CGU developed by the subsidiaries *Red Carpet* and *Sobe Sport*, based mainly on recurring revenues and contracts, are expected to grow strongly. It is reasonable to assume assets from third parties of approximately 36.7 million for the three-year period '23-'25.

Executive production activities

Starting from the end of financial year 2021, ILBE is specialising in executive productions of international import films. After "Lamborghini" in 2021, executive production of the film "Ferrari" began in 2022 through the associated company "Welcome to Italy". Also in 2022 another important international production set in Verona will begin. In this type of activity, the Group only accounts for the net operating margin (thus net of revenues and costs according to the accounting principles of reference in similar activities). Considering two or three major executive productions per year, the contribution to EBIT and margins will be very interesting.

6. Summary data and alternative performance indicators (APIs)

The summary data illustrated in this management report refer to the ILBE Group's condensed consolidated half-year financial statements as at 30 June 2022, prepared following 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 should be read in conjunction with the financial statements and related notes to the consolidated financial statements for the year ended 30 June 2022.

In addition, to facilitate understanding of the Group's economic and financial performance, several alternative performance indicators (the 'Alternative Performance Indicators' or 'APIs') have also been presented to illustrate the operating performance achieved.

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

- ✓ these indicators are constructed exclusively from historical data of the Group and are not indicative of the Group's future performance;
- ✓ IFRS does not require IAPs and, although derived from the Group's consolidated financial statements, are not audited;
- ✓ IAPs should not be considered as a substitute for the indicators required by the relevant accounting standards (IFRS);
- ✓ these HICPs must be read in conjunction with the Group's financial information taken from the Group's comparative consolidated financial statements;
- ✓ the definitions of the indicators used by the Group, as they are not derived from IFRS, may not be homogeneous with those adopted by other groups and therefore comparable with them;
- ✓ the IAPs used by the Group are prepared with continuity and uniformity of definition and representation for the financial periods considered. As amortisation of audiovisual works constitutes the majority of the Group's cost of sales, EBIT (before non-recurring costs) is the economic indicator of operations.

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

<i>Euro thousands</i>	30/06/2022	30/06/2021	Changes	Change %
Revenues	83,260	114,170	(30,910)	-27%
Operating costs	13,780	4,406	9,374	>100%
Staff costs	3,435	1,767	1,668	94%
Amortisation, write-downs, and provisions	54,838	92,094	(37,256)	-40%
EBIT	11,207	15,903	(4,696)	-30%
EBIT margin %	13.46%	13.93%	N.A.	-0.47%
Non-recurring charges (classified in the balance sheet under amortisation/(costs for services))	1,511	899	612	68%
EBIT net of non-recurring costs	9,696	15,004	(5,308)	-35%
Net financial charges	3,622	1,905	1,717	90%
Pre-tax result	6,074	13,100	(7,026)	-54%
Taxes	(2,691)	(750)	(1,941)	>100%
Net profit for the period	3,383	12,349	(8,966)	-73%
<i>Group interest</i>	3,342	12,349	(9,007)	-73%
<i>Minority interest</i>	41	-	41	100%

The reclassified Group balance sheet is shown below:

Euro thousands	30/06/2022	31/12/2021
Assets		
Non-current assets		
Intangible assets	89,284	99,755
Tangible Assets and Rights of Use	2,897	505
Deferred tax assets	7,137	8,958
Investments accounted for using the equity method	34	18
<u>Other non-current assets</u>	<u>1,765</u>	<u>1,788</u>
Total non-current assets	101,117	111,024
Current assets		
Trade receivables	52,424	18,759
Tax receivables	944	-
Current financial assets	16,112	12,070
Other current assets	12,899	34,077
<u>Cash and other liquid assets</u>	<u>2,888</u>	<u>3,246</u>
Total current assets	85,267	68,153
Total Assets	186,384	179,177
Shareholders' equity		
89,379	85,579	
Non-current liabilities		
Employee benefits	330	308
Deferred tax liabilities	106	110
Provisions for liabilities and charges	-	300
<u>Non-current financial liabilities</u>	<u>27,841</u>	<u>32,940</u>
Total non-current liabilities	28,276	33,657
Current liabilities		
Current financial liabilities	19,786	11,665
Trade payables	36,405	22,257
Tax payables	-	1,281
Contractual Liabilities	3,471	16,484
<u>Other current liabilities</u>	<u>9,067</u>	<u>8,254</u>
Total current liabilities	68,729	59,941
Total liabilities	186,384	179,177

The Group's key balance sheet and financial indicators are shown below:

Main balance sheet and financial indicators – Euro thousands	30/06/2022	31/12/2021
Intangible fixed assets (including Trade Mark and Goodwill)	89,284	99,755
Property, plant and equipment	2,897	505
Other non-current assets	8,936	10,764
Fixed assets	101,117	111,024
Receivables from clients	52,424	18,759
Payables to clients	(36,405)	(22,257)
Other current assets/(liabilities)	1,304	8,058
Working Capital	17,323	4,560
Severance Indemnity	(331)	(308)
Other non-current liabilities	(105)	(409)
NIC	118,005	114,867
Shareholders' Equity	89,379	85,579
Cash and cash equivalents	(2,888)	(3,246)
Financing assets	(16,112)	(12,070)
Financial liabilities	47,627	44,605
NFP debt	28,627	29,288
Sources of Finance	118,005	114,867

The main indicators of the Group's cash flow statement are shown below:

Euro thousands	30/06/2022	30/06/2021
A - Net cash flow provided by/(used in) operating activities	26,687	71,740
B - Net cash flow provided by/(used in) investing activities	(27,735)	(73,341)
C - Net cash flow generated/(absorbed) by financing activities	690	435
D - Total cash flow generated/(absorbed) in the period (A+B+C)	(358)	(1,166)
E - Cash and cash equivalents at the beginning of the period	3,246	3,513
F - Cash and cash equivalents at the end of the period (D+E)	2,888	2,347

The breakdown of the Group NFP is shown below:

Net financial position - Euro thousands	30/06/2022	31/12/2021
Cash and cash equivalents	(2,888)	(3,246)
Current financial assets	(16,112)	(12,070)
Liquidity	(19,000)	(15,316)
Current portion of non-current financial liabilities	6,392	1,996
Liabilities for current leases	426	-
Other current financial liabilities	12,968	9,669
Current financial debt	19,786	11,665
Net current financial debt	786	(3,651)
Non-current financial liabilities	26,172	32,940
Liabilities for non-current leases	1,669	-
Non-current payables to suppliers	-	-
Non-current financial debt	27,841	32,940
NFP debt	28,627	29,289
<i>of which IFRS 16(leasing)</i>	<i>2,095</i>	<i>-</i>
NFP adjusted debt	26,532	29,289

Operating performance and financial results

Revenues for the half year, equal to EUR 83,260 thousand (EUR 114,170 thousand in the first half of 2021), relate to the concession of the rights of film, audiovisual and "government grant" works, to services activities including licenses for the exploitation of Intellectual Properties and celebrity management activities. Specifically:

- Revenues from the concession of rights to film, audiovisual and "government grant" works amounted to EUR 54,914 thousand (EUR 78,180 thousand in the last half-year) less the related cost of sales represented essentially by the portion pertaining to the year of the amortisation of intangible fixed assets (film and audiovisual works) equal to EUR 51,289 thousand (EUR 73,673 thousand in the first half of 2021). These revenues mainly relate to the production of Puffins (EUR 20,236 thousand), Baby Puffins & Bunny (EUR 13,662 thousand), MUTI (EUR 14,380 thousand) and State of Consciousness (EUR 4,508 thousand).
- Revenues for services activities including licences for the exploitation of Intellectual Properties amounted to EUR 25,341 thousand (EUR 32,830 thousand in the last half-year).
- Revenues from casting, celebrity management and production of digital ADV content, communication & marketing amounted to EUR 2,138 thousand (EUR 2,442 thousand in the last half-year). It is noted that most of the revenues are expected in the second half of the year.

The first half of 2022 closes with a Group net profit of EUR 3,342 thousand which shows a decrease of EUR 9,007 thousand compared with that of the same period of 2021, equal to EUR 12,349 thousand. This change essentially refers to i) the completion of the Arctic Friends web series in the first half of 2021, while deliveries for the new animated production Baby Puffins & Bunny only started at the end of the second quarter 2022 and ii) the reduction in license revenues. for the use of the pipeline (processes and processing methods for the production of animated content) and the license for the use of animated characters. The net profit

attributable to minority interests is equal to EUR 41 thousand.

From an operational perspective, the year recorded a Group EBIT before non-recurring expenses of EUR 11,207 thousand, which shows a decrease of 30% compared with the same period of 2021 of EUR 15,903 thousand. This decrease essentially refers to the decrease in production in the reference period. In fact, the marginality of the first half of 2022 represents 13.46% (13.93% in 2021) of revenues.

From a financial point of view, the ILBE Group's net invested capital is mainly represented by intangible assets (film works, intellectual properties and others) of EUR 87,745 thousand (EUR 99,322 thousand the previous year); other fixed assets amount to EUR 13,372 thousand (EUR 11,702 thousand the previous year) while net working capital is positive at EUR 17,323 thousand (EUR 4,560 thousand the previous year). Other non-current liabilities and severance pay amounted to EUR 436 thousand (EUR 716 thousand in the previous year).

The resulting net invested capital amounts to EUR 118,005 thousand, increased by EUR 3,138 thousand compared with the balance at 31 December 2021 of EUR 114,867 thousand and is financed by the net financial position of EUR 28,626 thousand (EUR 29,289 thousand at 31 December 2021) and by the shareholder's equity of EUR 89,379 thousand (EUR 85,579 at 31 December 2021).

Working capital mainly includes 'government grants' from film productions, which will be monetised by offsetting other taxes or sold to authorised intermediaries, starting from the following financial year.

From a financial point of view, cash and cash equivalents at 30 June 2022 showed a balance of EUR 2,888 thousand, down by EUR 358 thousand compared with the balance at the beginning of the period of EUR 3,246 thousand.

Adding the net difference between financial assets and liabilities to the cash and cash equivalents balance, the net financial position at 30 June 2022 presents a debit balance of EUR 28,627 thousand, a decrease of EUR 66 thousand compared with that of the balance at 31 December 2021 of EUR 29,289 thousand. Considering that the net financial position as at 30 June 2022 is impacted for EUR 2,095 thousand by the accounting of the new lease contracts on the basis of IFRS 16, the decrease compared with the balance at 31 December 2021 is equal to EUR 2,758 thousand. In fact, the net financial position adjusted for the aforementioned effects deriving from the application of IFRS 16 is equal to EUR 26,532 thousand compared with that of 31 December 2021 equal to EUR 28,289 thousand; this reduction is substantially connected with a more contained trend in investments compared with the previous year.

The main investment and financial dynamics of the year underlying these balances relate to the following:

The negative change in cash and cash equivalents of EUR 358 thousand is made up of flows generated by financing activities and operating activities equal to EUR 690 thousand and EUR 26,687 thousand respectively, and by those absorbed by investment activities in audiovisual works for a total of EUR 27,735 thousand.

Furthermore, we note the following main financial transactions characterizing the period:

- ✓ the taking out of two medium-term loans of EUR 3.9 million to support existing productions;
- ✓ a factoring transaction with recourse equal to EUR 2.0 million;

- ✓ the increase of EUR 2 million relating to the recognition of new trade payables for office and plant leases, but recognized as financial as required by accounting standard IFRS 16;
- ✓ the repayment of loans for approximately EUR 6 million.

7. Transactions with related parties

Below are the financial and economic transactions of the Issuer with related parties from 1 January 2022 to 30 June 2022:

	Trade Receivables	Other assets	Trade payables	Other liabilities	Revenues	Costs
	€/000	€/000	€/000	€/000	€/000	€/000
TATATU S.p.A.	-	1,721	-	-	-	-
Welcome to Italy S.r.l.	255	-	-	-	129	-
Furuna Crafts d.o.o.	233	-	-	-	233	-
Total related party transactions	488	1,721	-	-	362	-
Total budget items	52,424	133,960	36,405	60,600	83,260	73,564
Weight on budget items	1%	1%	0%	0%	0%	0%

The outstanding credit balance with Tatatu S.p.A. of EUR 1,721 thousand relates to a receivable due in 2023 for the consideration paid for the closure of the ADV business unit (EUR 1,089 thousand) and a trade receivable (EUR 641 thousand).

Relations with Welcome to Italy S.r.l. refer to the services rendered by ILBE for the executive production of the film "Ferrari".

Relations with Furuna Crafts d.o.o. refer to service activities provided by Iervolino Studios d.o.o.

8. Human Resources

The ILBE Group has a structure of about 124 permanent employees plus some contracted resources. In addition, some professionals have an ongoing relationship with the ILBE Group and, in some cases, also have specific responsibilities for Law 231/2001.

It should be noted that when the production of an audiovisual work starts, a considerable number of workers are employed on fixed-term contracts until its completion. During the first half of the year, 108 temporary employees were hired for the existing productions.

9. Research and development

During the half year, the research and development activities of the financial year were applied research carried out to the exploitation of the theoretical knowledge already acquired for practical purposes, i.e. essentially for the development in the technical area of the IP 0.2.1 pipeline release in particular on the following aspects of the hardware and software of the production process:

Software:

Teradici & Nomachine: These are software applications that allow users to access their

workstations remotely. Each user is assigned unique login credentials to access the workstation. Teradici was mainly deployed for the FX, SHF, Lighting and Composting activities, while Nomachine was deployed for the other activities: Asset Development, Layout, Animation, Rendering and Production Support Supervision.

Ase-Sync: It is the tool for synchronising data between all users, thus enabling users to work on their workstations remotely. This tool synchronises project data securely between our internal memory and the user's workstation. This tool optimises the organisational process.

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

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

Hardware and network:

Firewall: The firewall supports over 350 networked users for secure remote access to workstations.

Bandwidth: The width is 500 Mbps for easier connectivity between everyone.

Isilon Archive: The Isilon storage server provides 400 TB of data.

The benefits of research and development results

Over the years, the research and development results led to the conception of new and innovative pipeline processes and methodologies for the production of new and innovative short animated content of 5 minutes each for use on digital platforms.

This has also cut processing times by 45%, taking annual productivity from 50 to almost 300 episodes in a year, increasing the quality of output and control of time and costs.

Lastly, it is necessary to consider another factor in terms of profitability deriving from the Licensing of the Pipeline (i.e., processes and processing methods for the production of short animated contents) obtained from the implementation of the R&D activity (know-how and software), which after having determined the recognition in 2020 and 2021 of revenues equal to a total of EUR 34,908 thousand, contributed for further revenues of EUR 4.5 million in the first half of the year.

10. Disclosure of principal risks and uncertainties

Management of financial risks and cash flow variation

Liquidity risk

The ILBE Group's day-to-day operations generated cash flows intended for requirements and absorbed by the day-to-day operations for the regular payment of suppliers. Additional financial resources for investment are raised either through financial or capital transactions. Having put in place an effective economic and financial planning system, IE constantly monitors management flows to finance working capital and monitor the monetisation of the realised EBIT, which takes place a few months after the delivery of the audiovisual work and is appropriately financed and guaranteed by/to the banking system.

Foreign exchange rate risk

The ILBE Group is limited to financial risks related to exchange rate fluctuations regarding transactions with countries outside the Eurozone. It should also be noted that almost all receivables and payables are in the same foreign currency (US dollar).

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

Interest Rate Risk

The Group has no derivative contracts in place to hedge risks related to interest rate fluctuations as this risk exposure is marginal.

Market risk, credit risk and price risk

Risks related to the competitiveness and cyclicity of the sector

An element that increasingly characterises *the entertainment market* is the growing importance of the contents offered, which are increasingly differentiated according to the transmission channels.

The Group is constantly looking for new formats and content to be created independently or through service contracts and always remaining the owner of the relevant Intellectual Property. In addition, productions are always funded based on the so-called 'guaranteed minimum' with relationships with international distributors and always responsive to the demands of the general public that can then generate additional business in the *merchandising* channel as well.

Credit risk

The Group does not have a significant concentration of credit risk and has appropriate procedures, such as verifying the creditworthiness of debtors by analysing their reliability in the market, to minimise credit risk

11. Significant events occurring after the end of the period

There were no significant events occurring after the end of the period.

It is noted that the geopolitical dynamics relating to the conflict between Russia and Ukraine have not had an appreciable impact on the evolution of business management which has not been affected by the adverse conditions resulting therefrom.

12. Business Outlook

Company activities will be focused on the new animated productions in progress (Baby Puffins & Bunny, Mini Puffins Wonder, Swifty and Super Impossible). With reference to the new filmic works, we point out "In the fire", starring actors Amber Heard, Eduardo Noriega and Lorenzo McGovern Zaini and the direction of Conor Allyn, the new animated films: A Star Adventure, In Search of the Arctic Idol and The Walrus Who Wanted too Much, and the new animated series Puffins, Arctic Friends and Puffins Impossible, in the new avant-garde "short" format for the Tik Tok generations.

As regards the subsidiaries R.E.D. Carpet, Arte Video and SoBe Sport, the related activities in their respective operating segments are expected to grow.

In light of the above, for the year 2022 the forecast of a growth in revenues and capitalised works is confirmed, whilst a more contained trend in margins is expected than in previous years.

Rome, 30 September 2022

For the Board of Directors

The President
Andrea Iervolino



Condensed Consolidated Half-Year Financial Statements and Notes to the Financial Statements

30/06/2022

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Statement of the consolidated half-year financial position

As at 30 June 2022 - amounts in EUR thousands

	Notes	30-jun-22	of which related parties	31-dic-21	of which related parties
Assets					
Non-current assets					
Intangible assets:		89,284	-	99,755	-
Completed productions	Note 5	46,085	-	40,168	-
Ongoing productions	Note 5	7,094	-	22,732	-
IP and Distribution Rights	Note 5	34,422	-	36,277	-
Other intangible activities	Note 5	144	-	144	-
Trademark	Note 5	358	-	358	-
Goodwill	Note 5	1,181	-	75	-
Tangible Assets and Rights of Use	Note 6	2,897	-	505	-
Deferred tax assets	Note 7	7,137	-	8,958	-
Investments accounted for using the equity method		34	-	18	-
Other non-current assets	Note 8	1,765	1,721	1,788	1,721
Total non-current assets		101,117	1,721	111,024	1,721
Current assets					
Trade receivables	Note 9	52,424	488	18,759	21
Tax receivables	Note 10	944	-	-	-
Current financial assets	Note 11	16,112	-	12,070	-
Other current assets	Note 12	12,897	-	32,405	-
Assets arising from contracts with customers		2	-	1,673	-
Cash and other liquid assets	Note 13	2,888	-	3,246	-
Total current assets		85,267	488	68,153	21
Total Assets		186,384	2,209	179,177	1,742
Shareholders' Equity					
Share Capital	Note 14	1,410	-	1,401	-
Legal reserve	Note 14	497	-	497	-
Extraordinary reserve	Note 14	37,688	-	19,436	-
Other reserves	Note 14	16,938	-	16,574	-
Profit/ (Loss carried forward)	Note 14	29,419	-	29,243	-
Profit/(loss) for the year	Note 14	3,342	-	18,428	-
Assets attributable to the shareholders of the parent company		89,294	-	85,579	-
Minority interests		85	-	-	-
Total Shareholders' equity		89,379	-	85,579	-
Non-current liabilities					
Employee benefits		330	-	308	-
Deferred tax liabilities		105	-	109	-
Provisions for liabilities and charges		-	-	300	-
Non-current financial liabilities	Note 15	27,841	-	32,940	-
Total non-current liabilities		28,276	-	33,657	-
Current liabilities					
Current financial liabilities	Note 16	19,786	-	11,665	-
Trade payables	Note 17	36,405	-	22,257	-
Tax payables	Note 18	-	-	567	-
Contractual liabilities	Note 19	3,471	-	16,484	-
Other current liabilities	Note 20	9,067	-	8,968	-
Total current liabilities		68,729	-	59,941	-
Total liabilities		186,384	-	179,177	-

Statement of comprehensive consolidated income/(loss) for the half year
as at 30 June 2022 - values in thousands of EUR

	Notes	30-jun-22 of which related parties	30-jun-21 of which related parties
Revenues	Note 21	72,483	103,146
Other revenues and income		319	125
Tax credits and other government grants	Note 22	10,458	10,899
Total operating income and revenues		83,260	114,170
Purchases of raw materials, consumables and merchandise		151	96
Costs for services	Note 23	14,616	3,890
Staff costs	Note 24	3,435	1,767
Other operating costs		124	419
Amortisation, write-downs, and provisions	Note 25	55,238	92,993
Operating Result		9,696	15,004
Financial income	Note 26	59	113
Financial charges	Note 26	3,681	2,017
Profit before tax		6,074	13,100
Income tax	Note 27	(2,691)	(750)
Profit for the period		3,383	12,349
Group interest		3,342	12,349
Minority interest		41	-
Other comprehensive income components that may be reclassified subsequently to profit/(loss) for the year net of taxation		91	-
Change in translation reserve		91	-
Other comprehensive income components that will not be subsequently reclassified to profit/(loss) for the year net of taxation		25	21
Re-measurement of net employee benefit liabilities/assets		25	21
Total comprehensive profit/(loss) after tax		3,499	12,370
Group interest		3,458	12,370
Minority interest		41	-
Basic earnings per share (ordinary shares)	Note 28	0.14	0.51
Diluted earnings per share (ordinary shares)	Note 28	0.14	0.51

Consolidated statement of changes in shareholder's equity for the half year

as at 30 June 2022 - amounts in EUR thousands

	Notes	Share capital	Legal reserve	Extraordinary Reserve	Share premium reserve	Other Reserves	Translation reserve	Capital contribution payment	Profit/(Loss) carried forward	Profit/(loss) for the financial year	Total	Minority interests	Total Shareholders' equity
Balance as at 01 January 2022		1,401	497	19,437	16,491	51	31	-	29,243	18,428	85,579	-	85,579
Profit/(loss) for the financial year	Note 14	-	-	-	-	-	-	-	-	3,342	3,342	41	3,383
Allocation of the 2021 result	Note 14	-	-	18,252	-	-	-	-	176	(18,428)	-	-	-
"SoBE" Transaction Capital Increase	Note 14	10	-	-	590	-	-	-	-	-	600	-	600
Increase/Decrease in translation reserve	Note 14	-	-	-	-	-	91	-	-	-	91	-	91
Other changes	Note 14	-	-	-	-	(58)	-	-	-	-	(58)	44	(14)
Purchase of treasury shares	Note 14	-	-	-	-	(133)	-	-	-	-	(133)	-	(133)
OCI changes	Note 14	-	-	-	-	(127)	-	-	-	-	(127)	-	(127)
Balance as at 30 June 2022		1,410	497	37,688	17,081	(266)	122	-	29,419	3,342	89,294	85	89,379

as at 30 June 2021 - amounts in EUR thousands

	Notes	Share capital	Legal reserve	Extraordinary Reserve	Share premium reserve	Other Reserves	Translation reserve	Capital contribution payment	Profit/(Loss) carried forward	Profit/(loss) for the financial year	Total	Minority interests	Total Shareholders' equity
Balance as at 01 January 2021		1,401	497	-	16,491	(35)	8	-	29,181	19,498	67,041	-	67,041
Profit/(loss) for the financial year		-	-	-	-	-	-	-	-	12,349	12,349	-	-
Allocation of the 2020 result		-	-	19,442	-	-	-	-	60	(19,498)	4	-	-
Capital increase 'Arte Video' operation		-	-	-	-	-	-	-	-	-	-	-	-
Capital increase 'RED Carpet' operation		-	-	-	-	-	-	-	-	-	-	-	-
Capital increase converted bonds		-	-	-	-	-	-	-	-	-	-	-	-
Increased translation reserve		-	-	-	-	-	9	-	-	-	9	-	-
Changes in consolidation		-	-	-	-	-	-	-	-	-	-	-	-
OCI changes		-	-	-	-	21	-	-	-	-	21	-	-
Balance as at 30 June 2021		1,401	497	19,442	16,491	(14)	17	-	29,242	12,349	79,425	-	79,425

Consolidated half-year cash flow statement as at 30 June 2022 - amounts in EUR thousands

	Notes	30-giu-22	30-giu-21
Operating profit net of tax		3,383	12,349
Income tax	Note 27	2,691	750
Adjustments to reconcile pre-tax profit with net cash flows:			
Amortisation of intangible assets and property, plant and equipment	Note 25	55,538	92,993
Write-downs and provisions and releases	Note 25	(299)	-
Net exchange rate changes		-	-
Financial income		-	-
Financial charges	Note 26	3,681	637
Provisions (Utilisations) to staff-related funds		23	18
Other non-monetary items		-	-
Cash flow generated by operations		65,017	105,998
Change in working capital:			
Change in trade credits		(35,461)	(17,695)
Change in trade payables		(988)	(11,608)
Change in other receivables and other assets		14,940	(4,462)
Change in other payables and other liabilities		(13,781)	1,762
Interest paid		(736)	(345)
Income tax paid		(2,304)	(1,909)
A - Net cash flow provided by/(used in) operating activities		26,687	71,741
Investments in intangible and tangible assets	Note 5 and Note 6	(28,247)	(73,271)
Investments in financial assets (participations)		(445)	-
Investments in other financial assets		958	(70)
B - Net cash flow provided by/(used in) investing activities		(27,735)	(73,341)
Share Capital Increase/Share Premium Reserve		-	-
Mortgages and loans taken out in the period		7,113	6,047
Loans and borrowings repaid in the period		(6,290)	(5,612)
Purchase of treasury shares	Note 14	(133)	-
C - Net cash flow generated/(absorbed) by financing activities		690	435
D - Total cash flow generated/(absorbed) in the period (A+B+C)		(358)	(1,166)
E - Cash and cash equivalents at the beginning of the period		3,246	3,513
F - Cash and cash equivalents at the end of the period (D+E)		2,888	2,347

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

Notes to the condensed consolidated half-year financial statements

1. Company information

Publication of the condensed consolidated half-year financial statements of Iervolino & Lady Bacardi Entertainment S.p.A. and of its subsidiaries (the Group) for the period ended 30 June 2022 was authorised by the Board of Directors on 30 September 2022.

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

The Group's main activity is producing film and television content, including films, TV shows, web series, short TV shows and much more. The content produced by the Group is considered standing Hollywood-style productions and features internationally-renowned actors. The Group's main objective is to produce for the international market, based on the business model used by the major Hollywood majors. The Group is also involved in authoring, encoding & digital delivery, celebrity management, and ADV, communications & marketing consultancy (Celebrity Management).

Information on the Group's transactions with related parties is presented in Note 29.1.

2. Basis of preparation and changes in accounting standards for the Group

2.1 Main changes in the scope of consolidation

The consolidation area at 30 June 2022, compared with that of 31 December 2021, has changed following the acquisition in March 2022 by Iervolino & Lady Bacardi Entertainment S.p.A. 60% of SoBe Sport S.r.l., a company operating in sports communication and marketing.

With reference to associated companies registered with the equity method, it should be noted that, on 12 May 2022, Iervolino & Lady Bacardi Entertainment S.p.A., together with the company Bett.One S.r.l. Welcome to Italy S.r.l., a company the purpose of which is the executive production of films and other audiovisual products. The Group's shareholding is 40%.

The entities included in the consolidation area as at 30 June 2022 and the relative percentages of direct or indirect ownership by the Group are listed below:

Company name	Headquarters	Group share of ownership	Direct ownership	Methods of consolidation
Parent company				
Iervolino & Lady Bacardi Entertainment S.p.A.	Via Barberini 29, 00187 Roma (Italia)	N.A.	N.A.	N.A.
Subsidiaries				
Arte Video S.r.l.	Via Barberini 29, 00187 Roma (Italia)	100%	100%	Full
R.E.D. Carpet S.r.l.	Via del Porto Fluviale 69, 00154 Rome (Italy)	100%	100%	Full
Wepost S.r.l. (formerly Iexchange S.r.l.)	Via Barberini 29, 00187 Roma (Italia)	100%	100%	Full
Iervolino Studios d.o.o.	Svetosavka Street 26/9, Pozarevac (Serbia)	100%	100%	Full
Art Video LLC	1680 Knowlwood Drive - Pasadena, California 91103 (USA)	99%	0%	Full
SoBe Sport S.r.l.	Via Francesco Petrarca 13, 20123 Milan (Italy)	60%	60%	Full
Associated companies				
Furuna Crafts d.o.o.	Zeleznicka 4, Novi Sad	50%	0%	Equity
Welcome to Italy S.r.l.	Via Sallustiana 26, 00187 Rome (Italy)	40%	40%	Equity

2.2 Drafting principles

The condensed consolidated half-year financial statements for the period ending 30 June 2022 were drawn up on the basis of IAS 34 half-year Financial Reporting. The Group has prepared the condensed half-year 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 has adequate resources to continue its operations for the immediate future, not less than 12 months from the balance sheet date.

The condensed consolidated half-year financial statements do not disclose all the information required in the preparation of the annual consolidated financial statements. For this reason, it is necessary to read the condensed consolidated half-year financial statements together with the consolidated financial statements as at 31 December 2021, net of the principles described in the paragraph Summary of accounting standards and valuation criteria not present in the consolidated financial statements as at 31 December 2021.

Current income taxes are calculated on the basis of the taxable income at the closing date 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 closing date of the period and the estimated rates on an annual basis.

This financial statement does not provide IAS34.21 information relating to seasonality as the turnover and economic results of the Group and the sectors in which it operates are not affected by seasonality.

2.3 Summary of the main accounting principles

The accounting standards and valuation criteria used in the preparation of these consolidated financial statements that are not present in the consolidated financial statements as at 31 December 2021 are shown below.

Leases

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

The Group as a lessee

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

i. Activities by right of use

The Group recognises the assets for the right of use on the start date of the lease (i.e., the date on which the underlying asset is available for use). Assets for the right of use are measured at cost, net of accumulated depreciation and impairment and adjusted for any remeasurement of leasing liabilities. The cost of the assets for the right of use includes the amount of the recognised leasing liabilities, the initial direct costs incurred and the lease payments made on the effective date or before the start, net of any incentives received. Right-of-use assets are amortised on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right of use or, if earlier, at the end of the lease term, as follows:

- Buildings from 2 to 6 years

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

The activities for the right of use are subject to impairment. Please refer to the contents of the consolidated financial statements as at 31 December 2021.

ii) Lease-related liabilities

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

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

In calculating the present value of payments due, the Group uses the marginal loan rate at the start date if the implicit interest rate cannot be easily determined. After the effective date, the amount of the lease liability increases to take into account the interest on the lease liability and decreases to consider the payments made. In addition, the book value of the lease payables is restated in the event of any changes to the lease or for the revision of the contractual terms for the modification of payments; it is also restated in the presence of changes regarding the valuation of the purchase option of the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine such payments.

Leasing liabilities of the Group are included in the item Financial liabilities.

Short Term Leasing and Low Value Asset Leasing

The Group applies the exemption for the recognition of short-term leases relating to machinery and equipment (i.e., leases that have a duration of 12 months or less from the start date and do not contain a purchase option). The Group has also applied the exemption for leases relating to low-value assets in reference to leasing contracts relating to office equipment whose value is considered low. The instalments relating to short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

2.4 Discretionary evaluations and significant accounting estimates

With reference to the discretionary assessments and significant accounting estimates made by the Company Management, reference is made to what is specified in the Annual Consolidated Financial Report 2021, with the exception of the comment below on leases.

Lease - Estimate of the marginal lending rate

The Group cannot easily determine the implicit interest rate of the lease and therefore uses the marginal borrowing rate to measure the lease liability. The marginal borrowing rate is the interest rate that the lessee would have to pay for a loan, with a similar duration and collateral, required to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The marginal borrowing rate therefore reflects what the group should have paid, and this requires an estimate to be made when there is no observable data (as in the case of investees that are not direct counterparties to financial transactions) or when rates need to be adjusted to reflect the terms and conditions of the lease (for example when the lease is not in the functional currency of the investee). The Group estimates the marginal loan rate using observable data (such as market interest rates) if available, and making specific considerations on the conditions of the investee (such as the creditworthiness of the investee alone).

2.5 Risk management

Liquidity risk

Liquidity risk relates to the difficulty in raising funds to meet commitments.

It may arise from the insufficiency of available resources to meet financial obligations within the agreed terms and deadlines in the event of sudden revocation of uncommitted financing lines or from the possibility that the company may have to meet its financial liabilities before their natural expiry.

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

In recent years, the Group's business has been characterised by rapid development, high growth and

the acquisition of new Intellectual Property. In this context of growth, characterised by high utilisation of liquidity, the Group has resorted to bank borrowing through the stipulation of loans and two basket bonds, whose time profile of the relative repayment plans is illustrated in the following table:

€/000								
Lending institution	Type of loan	Interest rate	Amount disbursed	Year of start-up	Year of expiry	Within 1 year	Between 1 year and 5 years	After 5 years
Banca Progetto	Financing	Euribor 1M+spread 5%	500	2019	2024	100	117	-
Banca Progetto	Financing	Euribor 1M+spread 5%	500	2019	2024	99	126	-
Banca Progetto	Financing	Euribor 1M+spread 5%	500	2019	2023	127	67	-
Intesa San Paolo S.p.A.	Basket Bond	4.07%	8,000	2020	2027	1,485	6,384	-
Unicredit S.p.A.	Financing	Euribor 3M+spread 1.5%	3,000	2021	2023	2,500	-	-
Banca Ifis S.p.A.	Financing	Euribor 3M+spread 3.25%	3,000	2021	2026	775	2,112	-
Unicredit S.p.A.	Supply chain Basket Bond	2.55%	10,000	2021	2028	1,142	6,943	1,837
Intesa San Paolo S.p.A.	Financing	Euribor 3M+spread 2.55%	4,200	2021	2026	-	617	-
Intesa San Paolo S.p.A.	Financing	Euribor 3M+spread 2.44%	3,800	2021	2027	-	3,800	-
Intesa San Paolo S.p.A.	Financing	Euribor 3M+spread 2.3%	2,100	2021	2027	-	434	-
Intesa San Paolo S.p.A.	Financing	Euribor 3M+spread 2.75%	2,400	2022	2027	-	2,394	-
BPM	Financing	Euribor 3M+spread 2.65%	1,500	2022	2027	154	1,265	75

The Group's gross exposure to the banking system amounts to EUR 45.5 million at 30 June 2022, while cash and cash equivalents amount to EUR 18.9 million.

The monitoring of the risks of a liquidity shortage is carried out using a financial planning tool to verify the availability of sufficient cash flows to cover the principal and interest payments to service the Group's debt and other obligations.

The Group also uses the instrument of direct remittance from the customer to the supplier, and the related flows, although shown 'gross' in the statement, do not generate operating cash flows.

Foreign exchange rate risk

The Group incurs a portion of its costs in US dollars and receives a portion of its revenues in US dollars. Therefore, the Group is exposed to the risk of devaluation of the EUR against the US dollar. However, it was not deemed appropriate to set up hedging instruments, as this risk is significantly reduced through direct remittance from the customer to the supplier.

Receipts and payments in currencies other than the US dollar are irrelevant.

Interest Rate Risk

The Group is exposed to marginal risks related to the volatility of interest rates linked to financing. In fact, the percentage of fixed-rate loans at 30 June 2022 is 55% of total loans.

The floating rate loans are all indexed to the 3m Euribor, the trend of which is growing.

Credit risk

The Group's commercial activities are considered to have a good credit quality. The risk of a counterparty defaulting on its outstanding obligations at 30 June 2022 is limited.

The Group maintains a high level of vigilance through monthly checks of exposures to its customers to identify the most critical positions. Where necessary, the allowance for doubtful accounts is supplemented by a specific assessment of individual positions to align trade receivables with their estimated realisable value.

Climate risk

The risks associated with climate change are constantly analysed, assessed and managed by management considering the aspects relevant to the Group's activities. The Group pursues a strategy aimed at seizing all the relevant opportunities from the energy transition and oriented towards the continuous efficiency of production processes in order to reduce the impact on the environment.

2.6 Covid-19 emergency

The macroeconomic context continues to be characterized by an economic slowdown due to the new waves of covid-19 infections. In line with ESMA's recommendations, the Group continues to constantly monitor the developments of the pandemic in order to assess the significance of its impacts on business activities, promptly adopting all preventive measures to contain the pandemic, making sure working environments and keeping all plants operating in total safety.

2.7 New accounting standards, interpretations and changes amendments adopted by the Group

The accounting principles adopted for the preparation of the condensed half-year consolidated financial statements comply with those used for the preparation of the consolidated financial statements as at 31 December 2022, except for the adoption of the new standards and amendments in force as of 1 January 2022. The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective. Several amendments apply for the first time in 2022, but have not had an impact on the Group's condensed half-year financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract in which the non-discretionary costs (e.g., costs that the Group cannot avoid as it is part of a contract) necessary to fulfil the obligations assumed are greater than the economic benefits that are supposed to be obtainable from the contract.

The amendment clarifies that in determining whether a contract is onerous or generates losses, an entity must consider the costs directly related to the contract for the supply of goods or services which include both incremental costs (e.g., the cost of direct labour and materials) that the costs directly attributed to the contractual activities (e.g., depreciation of the equipment used for the fulfilment of the contract as well as the costs for the management and supervision of the contract). General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly recharged to the counterparty on the basis of the contract.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments aim to replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change in the requirements of the standard.

The Board also added an exception to the IFRS 3 valuation principles to avoid the risk of potential “next

day" losses or gains arising from contingent liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a current obligation exists at the acquisition date.

The amendment also added a new paragraph to IFRS 3 to clarify that potential assets do not qualify as recognisable assets at the acquisition date.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from the sale of products sold during the period in which such activity is brought to the place or the conditions necessary for it to be able to operate in the the way management intended. Instead, an entity records the revenues from the sale of these products, and the costs of producing these products, in the income statement.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

This change allows a subsidiary that chooses to apply paragraph D16 (a) of IFRS 1 to account for the accumulated translation differences based on the amounts accounted for by the parent, considering the date of transition to IFRS by the parent. This amendment also applies to associated companies or joint ventures that choose to apply paragraph D16(a) of IFRS 1.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies what are the fees that an entity includes in determining whether the terms and conditions of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or lender on behalf of others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirements in paragraph 22 of IAS 41 referring to the exclusion of cash flows for taxes when the fair value of an asset is assessed within the scope of IAS 41.

3. Operating sectors: Policy

The activity carried out by the Group can be identified in three operating sectors: (i) Film productions, including service activities (production activities carried out on behalf of third parties - the Group does not own the final Intellectual Property), post-production and distribution of productions produced internally and acquired from third party producers; (ii) Authoring, encoding & digital delivery activities (A, E & DD); (iii) and Celebrity management and ADV, communication & marketing consultancy (Celebrity Management).

The film production segment is the Group's core business. The parent company is a global production company specialised in the production of film and television content, from the preliminary assessment of the project to post-production, with Hollywood-style standing for the international market; for these

characteristics, the customers of this operating segment are international sales agents or distributors located outside Italy

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

The segment of Celebrity management and consulting in ADV, communication & marketing relates to the development of an internal celebrity management agency and is developed by the subsidiaries R.E.D. Carpet S.r.l. and, as of 2022, by SoBe Sport S.r.l..

The directors monitor the performance of the business units separately to make decisions on resource allocation and performance reviews. The performance of the segments is assessed based on the result, which is measured consistently with the result of the consolidated financial statements.

The following tables present, respectively, the disclosure on the revenues of the Group's operating segments for the six months to 30 June 2022 and 2021:

Half-Year as at 30 June 2022

Values in thousands	Film Productions	Digital Delivery	Celebrity Management	adjustments and eliminatio	Consolidated
Revenue	84,890	535	2,139	(15,081)	72,483
Other revenues and income	1,488	6	45	(1,220)	319
Tax Credit	10,458	-	-	-	10,458
Total operating income and revenues	96,836	541	2,183	(16,301)	83,260

Results

Sector Result	3,094	48	99	142	3,383
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Half-Year as at 30 June 2021

Values in thousands	Film Productions	Digital Delivery	Celebrity Management	adjustments and eliminatio	Consolidated
Revenue	130,404	476	2,442	(30,176)	103,147
Other revenues and income	44	22	59	-	125
Tax Credit	10,899	-	-	-	10,899
Total operating income and revenues	141,347	498	2,501	(30,176)	114,170

Results

Sector Result	12,602	48	84	(385)	12,349
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4. Business combinations

Acquisition of SoBe Sport S.r.l.

On 29 March 2022, the Group purchased 60% of the shares of SoBe Sport S.r.l. (SoBe), a company based in Italy whose purpose is the sponsorship and management of image rights, brand identity, social media and marketing in the sports field. The acquisition makes it possible to expand the range of services in the field of Celebrity management and consultancy in ADV, communication & marketing.

The fair value of SoBe's assets and liabilities at the acquisition date was as follows:

€/000	Fair Value recognised at the time of acquisition
Tangible assets	11
Other non-current assets	6
Trade receivables	226
Other current assets	31
Cash and other liquid assets	229
Total Assets	503
Trade payables	42
Tax payables	56
Other current liabilities	296
Total liabilities	393
Total net assets identifiable at fair value	109
Goodwill resulting from the acquisition	1,106
Minority interests	(44)
Fee paid for the acquisition	658
Allocation of ILBE ordinary shares	600
Total SoBe acquisition	1,258
Acquisition adjustment included under Shareholders' Equity	(86)
Total SoBe acquisition net of the Adjustment	1,172
Cash flow analysis of the acquisition	
Net cash acquired with the subsidiary	229
Fee paid	(658)
Cash flow net of acquisition	(429)

As at 1 January 2022, the carrying amount of goodwill was equal to EUR 75 thousand. With the acquisition of SoBe, the carrying amount of goodwill at 30 June 2022 is equal to EUR 1,181 thousand.

The recognition of business combinations operations implies the attribution to the assets and liabilities of the acquired company of the difference between the purchase cost and the net book value. For most assets and liabilities, the attribution of the difference is made by recognising the assets and liabilities at their fair value. The part not attributed, if positive, is recorded in goodwill, if negative, is charged to the income statement. In the allocation process, the Group makes use of the information available.

The Group has decided to evaluate the minority interests of the acquired company based on the corresponding fraction of the acquiree's equity.

The goodwill of SoBe includes the value of the expected synergies deriving from the aggregation of the SoBe's activities with those of the RED Carpet group company. Furthermore, new development strategies are also expected on international markets.

The goodwill was entirely allocated to the Celebrity Management, casting and production of digital ADV content. Goodwill is not tax deductible.

Since the date of acquisition, SobE has contributed to the Group's revenues for EUR 668 thousand and to the Group's pre-tax profit for EUR 205 thousand. Had the combination been effective from the beginning of the year, the revenues from the operating activities would have been equal to EUR 924 thousand and the profit from operating activities for the Group would have been equal to EUR 278 thousand.

The allocation of the higher value paid for the acquisition of SoBe Sport S.r.l. is to be considered on a provisional basis; the Group will complete the allocation within 12 months from the acquisition date in accordance with the terms set out in IFRS 3.

The Group has issued 244,598 ordinary shares by way of consideration for the interest in SoBe Sport, the fair value of the shares is calculated with reference to the market price of the group's shares at the acquisition date, which was equal to EUR 2.10 per share.

Note no. 5 Intangible Assets

The breakdown of Intangible Assets as at 30 June 2022, compared with the same values as at 31 December 2021, is shown below:

€/000	30-giu-22	31-dic-21	Changes
Completed productions	46,085	40,168	5,917
Ongoing productions	7,094	22,733	(15,639)
IP and Distribution Rights	34,422	36,277	(1,855)
Other intangible activities	144	144	-
Trademark	358	358	-
Goodwill	1,181	75	1,106
Total Intangible Assets	89,284	99,755	(10,471)

The breakdown of the item Intangible assets as at 30 June 2022, compared with the same values as at 31 December 2021, is shown below:

€/000	As at 31 December 2021	Increases	Reclassifications	Reductions/Amortisation	As at 30 June 2022
Completed productions	40,168	40,410	19,589	(54,082)	46,085
Ongoing productions	22,733	3,108	(18,746)	-	7,094
IP and Distribution Rights	36,277	3,267	(843)	(4,279)	34,422
Other intangible activities	144	33	-	(33)	144
Total	89,322	46,817	-	(58,394)	87,745

The item Finished productions includes the capitalisation of finished productions whose rights have been transferred to the customers. Specifically, during the period, the works produced and completed whose rights were conferred on the customer were as follows: 61 episodes of the Puffins web series in animation mode; 54 episodes of the web series Baby Puffins & Bunny in animatics mode; the films State of Consciousness and MUTI; the Vod Cast Giving Back Generation 2.

Below are details of the completed productions:

£/000	As at 31 December 2021	Increases 2022	Reductions/Amortisation 2022	Reclassifications	As at 30 June 2022
<i>Waiting for the Barbarians</i>	179	-	(90)	-	89
AF 2018 (15 episodes) - 2018	-	-	-	-	-
AF 2019 (35 episodes) - 2019	1	-	-	-	1
AF 2020 (72 episodes) - 2020	-	-	-	-	-
AF 2021 (68 episodes) - 2021	11,247	-	(1,266)	-	9,981
Rights AF	562	-	(63)	-	499
Total AF	11,810	-	(1,329)	-	10,481
Puffins 2019 (20 episodes) - 2019	735	-	(367)	-	368
Puffins 2020 (50 episodes) - 2020	7,728	-	(1,932)	-	5,796
Puffins 2021 (59 episodes) - 2021	8,873	-	-	-	8,873
Puffins 2021 - Animatics - (29 episodes) - 2021	2,819	-	-	-	2,819
Puffins 2022 (61 episodes) - 2022	-	26,775	(21,231)	1,531	7,075
Rights Puffins	2,048	-	(1,417)	-	631
Total Puffins	22,203	26,775	(24,947)	1,531	25,562
Babv Puffins & Bunnv 2022 - Animatics - (54 episodes) - 2022	-	10,278	(9,868)	-	410
Bunny Rights	-	-	(91)	843	752
Total Baby Puffins & Bunny	-	10,278	(9,959)	843	1,162
Eddie & Sunny	1,056	-	-	-	1,056
Tell it like a Woman	2,540	-	-	-	2,540
State of Consciousness	-	1,330	(4,033)	2,874	171
Giving Back Generation II	-	42	(1,675)	1,633	-
Dakota	1,269	-	-	-	1,269
MUTI	-	1,985	(12,048)	12,708	2,645
Other projects	1,111	-	-	-	1,111
TOTAL	40,168	40,410	(54,082)	19,589	46,085

The item Production in progress includes capitalising costs of films not completed as at 30 June 2022.

Below are details of the current productions:

£/000	As at 31 December 2021	Increases 2022	Reductions/Amortisation 2022	Reclassifications	As at 30 June 2022
State of Consciousness	2,874	-	-	(2,874)	-
In the Fire	727	2,468	-	-	3,195
Puffins 2022	1,531	-	-	(1,531)	-
Giving Back Generation II	1,633	-	-	(1,633)	-
Giving Back Generation III	1,635	59	-	-	1,694
MUTI	12,708	-	-	(12,708)	-
Other projects	1,624	581	-	-	2,205
TOTAL	22,733	3,108	-	(18,746)	7,094

The item 'Other rights' includes the capitalisation of costs incurred for acquiring distribution rights for films in Italy and abroad and of rights related to Intellectual Properties.

Details of other rights are given below:

€/000	As at 31 December 2021	Increases 2022	Reductions/Amortisation 2022	Reclassifications	As at 30 June 2022
Library	110	-	(18)	-	92
Arctic Justice Characters - IP	10,696	-	(547)	(843)	9,306
Lamborghini distribution rights	5,692	-	-	-	5,692
Distribution rights Arctic Justice film	1,288	-	-	-	1,288
Distribution rights Christmas Thieves	3,048	-	(418)	(150)	2,480
Distribution rights The Good Witch of Christmas	3,482	-	(624)	150	3,008
Distribution rights Vote for Santa	2,840	-	(710)	-	2,130
Distribution rights A Day with Santa	2,560	-	(640)	-	1,920
Distribution rights Detective Santa	2,753	-	(688)	-	2,065
Save Christmas Distribution Rights	-	788	-	-	788
Rights Puffins - IP	3,317	29	(633)	-	2,713
Memento Assets	-	2,261	-	-	2,261
Other rights - IP	491	189	-	-	680
TOTAL	36,277	3,267	(4,278)	(843)	34,422

During the period, no indications of a possible loss of value emerged with reference to finished productions, productions in progress, IP and distribution rights and other intangible assets.

The Trademark (EUR 358 thousand) and Goodwill (EUR 1,181 thousand) derive from the difference between the prices paid for the acquisitions of controlling shareholdings, and the "fair value" of the net assets acquired on the date on which it was essentially determined control over them. Specifically, the Trademark relates to acquiring participation in R.E.D. Carpet S.r.l., and the goodwill for the acquisition of the shareholding in Arte Video S.r.l. and SoBe Sport S.r.l.

The allocation of the higher value paid for the acquisition of SoBe Sport S.r.l. is to be considered on a provisional basis; the Group will complete the allocation within 12 months from the acquisition date in accordance with the terms set out in IFRS 3.

The allocation of the higher value paid for the acquisition of SoBe Sport S.r.l. is to be considered on a provisional basis; the Group will complete the allocation within 12 months from the acquisition date in accordance with the terms set out in IFRS 3. The test on the lasting impairment of 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) have been illustrated in the consolidated financial statements as at 31 December 2021.

As at 30 June 2022, no circumstances emerged that would subject the brand and goodwill to the impairment test.

Note no. 6 Tangible Assets and Rights of Use

The breakdown of the Tangible Assets and Rights of Use item as at 30 June 2022, compared with the same values as at 31 December 2021, is shown below:

€/000	30-giu-22	31-dic-21	Changes
Tangible fixed assets	868	505	363
Rights of use	2,029	-	2,029
Total Tangible Assets and Rights of Use	2,897	505	2,392

The change in Tangible assets and Rights of Use is shown below:

€/000	As at 31 December 2021	Increases	Reclassifications	Reductions/Amortisation	As at 30 June 2022
Tangible fixed assets	505	464	-	(101)	868
Rights of use	-	2.180	-	(151)	2.029
Total Tangible Assets and Rights of Use	505	2.644	-	(252)	2.897

The change in the period is mainly related to the new lease contracts entered into during the half year and accounted for under assets for rights of use for EUR 2 million.

Note no. 7 Deferred tax assets

Deferred tax assets, equal to EUR 7,137 thousand, consist of taxes calculated on the deductible temporary differences resulting from a misalignment between the book values recorded in the financial statements and the corresponding values recognised for tax purposes. The breakdown of deferred tax assets at 30 June 2022, compared thereto as at 31 December 2021, is shown below:

€/000	30-giu-22	31-dic-21	Changes
Amortisation of intangible fixed assets	6,097	7,332	(1,235)
Impairment of intangible assets	413	413	-
Other temporary differences	627	1,213	(586)
Total Deferred tax assets	7.137	8.958	(1.821)

Please note that deferred tax assets are recognized to the extent that it is probable the existence of future taxable profits sufficiently to be able to ensure the use of the temporary deductible differences determined on the balances of assets and liabilities.

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

Note no. 8 Other non-current assets

Other non-current assets amount to EUR 1,765 thousand and are essentially made up of receivables exceeding the year for the consideration paid to the Group by Tatatu S.p.A., payment mainly related to the closure of the ADV Business Unit (€ 1,721 thousand).

Note no. 9 Trade receivables

Trade receivables amount to EUR 52,424 thousand. Details are given below:

€/000	30-giu-22	31-dic-21	Changes
Trade receivables from third party customers	51,936	18,737	33,199
Receivables from related parties	488	22	466
Total trade receivables	52.424	18.759	33.665

Receivables from customers are generated by normal commercial activity and are regularly collected or offset against any debt positions at the due dates agreed in the sales contracts.

The following table shows the geographical breakdown of trade Receivables:

€/000	30-giu-22	31-dic-21	Changes
Receivables from domestic customers	31,011	10,583	20,428
Receivables from EU customers	4	16	(12)
Receivables from non-EU customers	21,409	8,160	13,249
Total trade receivables	52.424	18.759	33.665

The company makes a specific assessment of the risk of bad debt for each client. As at 30 June 2021, this analysis revealed receivables deemed uncollectable for EUR 123 thousand.

€/000	30-giu-22	31-dic-21	Changes
Gross trade receivables	52,556	18,891	33,665
Provision for write-down of trade receivables	(132)	(132)	-
Total trade receivables	52.424	18.759	33.665

Note no. 10 Tax receivables

The table below gives a breakdown of tax receivables at 30 June 2022 and 31 December 2021:

€/000	30-giu-22	31-dic-21	Changes
Advances, net of current taxes	944	-	944
Total tax assets	944	-	944

Note no. 11 Current financial assets

The item of EUR 16,112 thousand mainly consists of financial investments made by the Group to optimise the management of uncommitted cash.

€/000	30-giu-22	31-dic-21	Changes
Financial investments in investment funds	9,190	9,916	(726)
Financial advance to ADS	-	1,346	(1,346)
Receivables from financial institutions for transfer of VAT credit 2020	-	796	(796)
Financial receivables for the sale of tax credit	6,749	-	6,749
Other current financial assets	173	12	161
Total current financial assets	16.112	12.070	4.042

The financial investments mainly consist of investment funds, 85% of which are made up of bonds. The reduction in the period is due to the difference between the investments made and the final but not yet realised loss.

the Group determines fair value under IFRS 13 whenever international accounting standards require such a measurement criterion. The fair value represents the price that would be received for the sale of an asset or paid for the transfer of a liability in an ordinary transaction between market participants at the valuation date (so-called 'exit price'). Its best identification is the market price, i.e., its current, publicly available price traded on a liquid and active market. The fair value of assets and liabilities is

classified in a fair value hierarchy with three different levels, defined as follows, based on the inputs and valuation techniques used to measure fair value:

- › Level 1: quoted prices (unmodified) on active markets for identical assets or liabilities that the Company can access at the valuation date;
- › Level 2: Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices);
- › Level 3: Inputs to the asset and liability not based on observable market data (unobservable inputs).

As at 30 June 2022, the assets valued at FVTPL consist of the investment in investment funds for EUR 9,190 thousand, whose fair value level is 1.

Note no. 12 Other current assets

Details of the item Other current assets are summarised in the table below:

€/000	30-giu-22	31-dic-21	Changes
Advances to suppliers	830	278	552
Due from ADS	-	11,683	(11,683)
VAT credits	1,285	529	756
Film production tax credit	10,490	17,953	(7,463)
Self-distribution tax credit for cinema	-	929	(929)
Other tax receivables	17	41	(24)
Other current receivables	8	36	(28)
Prepaid expenses	267	956	(689)
Total Other current assets	12.897	32.405	(19.508)

The change is mainly related to i) the extinction of the receivable from the Serbian company Archangel Digital Studios, user of the service activities by the Iervolino Studios Group company.

Note no. 13 Cash and other liquid assets

The item includes the balance of cash and other liquid assets.

There are no cash and cash equivalents restrictions at 30 June 2022 and 31 December 2021. Cash and cash equivalents are not burdened by restrictions that limit their full use. For an analysis of the changes, please refer to the financial statement and the information on liquidity risk management.

Note No. 14 Shareholder's equity

The breakdown of this item is shown below:

€/000	30-giu-22	31-dic-21	Changes
Share capital	1,410	1,401	9
Legal Reserve	497	497	-
Share premium reserve	17,081	16,491	590
Extraordinary Reserve	37,688	19,436	18,252
Other reserves	(100)	83	(183)
Profit/(Loss) carried forward	29,419	29,243	176
Profit/(loss) for the financial year	3,383	18,428	(15,045)
Total Group Shareholders' Equity	89,379	85,579	3,800
Minority interests	85	-	85

Share capital

At 30 June 2022, the share capital amounted to EUR 1,410 thousand, fully paid up, and consisted of 35,260,702 shares. The increase in share capital compared with the previous period is connected with the acquisition of 60% of the company SoBe Sport S.r.l.

Legal reserve

At 30 June 2022, the legal reserve amounted to EUR 497 thousand.

Share premium reserve

At 30 June 2022, the share premium reserve consisted of:

- Listing the shares on the AIM Italia multilateral trading system is organised and managed by Borsa Italiana S.p.A. ('AIM Italy') concluded with the start of trading on 5 August 2019 (EUR 8,240 thousand);
- conversion of the bonds arising from the convertible bond "Iervolino Entertainment S.p.A."; Convertible Bond 5% 2019' (€707 thousand);
- issue of the automatically convertible bond "Iervolino Entertainment S.p.A.; Convertendo 3% 2019' (EUR 7,251 thousand);
- Acquisition of the subsidiaries Arte Video S.r.l. and R.E.D. Carpet S.r.l. (EUR 293 thousand).
- Acquisition of the subsidiary SoBe Sport S.r.l. (EUR 590 thousand).

Extraordinary Reserve

This item includes part of the allocation of the 2021 result.

Other reserves

A breakdown of the item Other reserves as at 30 June 2022 and 31 December 2021:

€/000	30-giu-22	31-dic-21	Changes
Translation reserve	122	31	91
IAS 19 OCI reserve	(76)	(101)	25
OCI reserve Other components of comprehensive income	-	152	(152)
Other reserves	(190)	-	(190)
Share capital/Minority interest reserves	44	-	44
Other reserves	(100)	83	(227)

The item Other reserves mainly includes the purchase of own shares made during the period and amounting to EUR 133 thousand. As part of the buy-back program approved by the Shareholders' Meeting of 12 November 2021 and launched by the Board of Directors on 11 May 2022, in the period between 18 May 2022 and 30 June 2022 inclusive, ILBE acquired a total of 78,213 ordinary shares at a weighted average ordinary price of approximately EUR 1.613 per share.

Iervolino's objectives in managing capital are inspired by the creation of shareholder value, guaranteeing the interests of stakeholders and safeguarding business continuity, and maintaining an adequate level of capitalisation that allows economic access to external sources of finance to support the development of the Group's activities adequately.

Note no. 15 Non-current financial liabilities

A breakdown of the item Non-current financial liabilities as at 30 June 2022 and 31 December 2021 is provided below:

€/000	30-giu-22	31-dic-21	Changes
Loans	11,008	15,961	(4,953)
Basket Bond	15,164	16,871	(1,707)
Liabilities for non-current leases	1,669	-	1,669
Other non-current financial liabilities	-	108	(108)
Total non-current financial liabilities	27.841	32.940	(5.099)

This item includes medium/long-term fixed and variable rate bank loans. The table below shows the loans granted by the Group:

€/000								
Lending institution	Type of loan	Interest rate	Amount disbursed	Year of start-up	Year of expiry	Within 1 year	Between 1 year and 5 years	After 5 years
Banca Progetto	Financing	Euribor 1M+spread 5%	500	2019	2024	100	117	-
Banca Progetto	Financing	Euribor 1M+spread 5%	500	2019	2024	99	126	-
Banca Progetto	Financing	Euribor 1M+spread 5%	500	2019	2023	127	67	-
Intesa San Paolo S.p.A.	Basket Bond	4.07%	8,000	2020	2027	1,495	6,384	-
Unicredit S.p.A.	Financing	Euribor 3M+spread 1.5%	3,000	2021	2023	2,500	-	-
Banca Ifis S.p.A.	Financing	Euribor 3M+spread 3.25%	3,000	2021	2026	775	2,112	-
Unicredit S.p.A.	Supply chain Basket Bond	2.55%	10,000	2021	2028	1,142	6,943	1,837
Intesa San Paolo S.p.A.	Financing	Euribor 3M+spread 2.55%	4,200	2021	2026	-	617	-
Intesa San Paolo S.p.A.	Financing	Euribor 3M+spread 2.44%	3,800	2021	2027	-	3,800	-
Intesa San Paolo S.p.A.	Financing	Euribor 3M+spread 2.3%	2,100	2021	2027	-	434	-
Intesa San Paolo S.p.A.	Financing	Euribor 3M+spread 2.75%	2,400	2022	2027	-	2,394	-
BPM	Financing	Euribor 3M+spread 2.65%	1,500	2022	2027	154	1,265	75

The Basket Bond regulations provide, Specifically, for specific economic-financial covenants relating to compliance, as at the end of the financial year, with predefined thresholds in terms of Net Financial Position/EBIT, Net Financial Position/Shareholders' Equity and EBIT/Gross Interest.

The net financial position at 30 June 2022 and 31 December 2021 is shown below:

Net financial position - Euro thousands	30/06/2022	31/12/2021
Cash and cash equivalents	(2,888)	(3,246)
Current financial assets	(16,112)	(12,070)
Liquidity	(19,000)	(15,316)
Current portion of non-current financial liabilities	6,392	1,996
Liabilities for current leases	426	-
Other current financial liabilities	12,968	9,669
Current financial debt	19,786	11,665
Net current financial debt	786	(3,651)
Non-current financial liabilities	26,172	32,940
Liabilities for non-current leases	1,669	-
Non-current payables to suppliers	-	-
Non-current financial debt	27,841	32,940
NFP debt	28,627	29,289
<i>of which IFRS 16(leasing)</i>	<i>2,095</i>	<i>-</i>
NFP adjusted debt	26,532	29,289

Note no. 16 Current financial liabilities

Current financial liabilities as at 30 June 2022 amounted to EUR 19,786 thousand and break down as follows:

€/000	30-giu-22	31-dic-21	Changes
Current portion of non-current financial liabilities	6,392	1,996	4,396
Other current financial liabilities	99	19	80
Liabilities for factoring transactions	2,006	-	2,006
Liabilities for current leases	426	-	426
Current account overdraft	10,863	9,650	1,213
Total current financial liabilities	19,786	11,665	8,121

Note no. 17 Trade payables

Trade payables amount to EUR 36,405 thousand, as shown in the following table:

€/000	30-giu-22	31-dic-21	Changes
Trade payables	36,405	22,257	14,148
Payables to related parties	-	-	-
Total trade payables	36,405	22,257	14,148

Total trade payables represent the Group's indebtedness to suppliers for purchases of services.

The following table shows the geographical breakdown of trade Payables:

€/000	30-giu-22	31-dic-21	Changes
National trade payables	10,962	13,823	(2,861)
Payables to EU suppliers	11,430	4,253	7,177
Non-EU Trade payables	14,013	4,181	9,832
Total trade payables	36,405	22,257	14,148

Note no. 18 Taxes payable

The item Taxes payable includes payables related to IRES and IRAP. The details are below.

€/000	30-giu-22	31-dic-21	Changes
Current tax liabilities	-	567	(567)
Total tax payables	-	567	(567)

Note no. 19 Contractual liabilities

At 30 June 2022, contractual liabilities amounted to EUR 3,471 thousand.

Contractual liabilities arise from financial advances received on obligations to do something that will be fulfilled in the following period. The reduction compared with 31 December 2021 is connected with: i) the recognition of revenues for the MUTI (€ 8.1 million) and Giving Back Generation 2 projects, projects for which a financial advance was received in 2021; ii) the recognition of revenues of EUR 4.3 million relating to executive production services carried out for Archangel Digital Studios.

Note no. 20 Other current liabilities

As at 30 June 2022, other current liabilities amounted to EUR 9,067 thousand; a breakdown is provided below compared with the amounts as at 31 December 2021:

€/000	30-giu-22	31-dic-21	Changes
Payables to staff	638	347	291
VAT payables from previous years	298	136	162
Sundry tax payables	637	578	59
Deferred income	7,188	7,695	(507)
Other payables	306	212	94
Total other current liabilities	9,067	8,968	99

Other liabilities mainly consist of deferred income related to the portion of government grants - tax credits that, based on IAS 20, must be systematically allocated between periods to be commensurate with the recognition of the costs they are intended to offset.

Note no. 21 Revenues

Revenues amounted to a total of EUR 72,483 thousand and referred to the following operating segments:

€/000	30-giu-22	30-giu-21	Changes
Revenues Film productions	69,810	100,228	(30,418)
Revenues Celebrity Management, casting and digital ADV content production	2,138	2,442	(304)
Revenues from authoring, encoding & digital delivery	535	476	59
Total Revenues	72,483	103,146	(30,663)

Revenues from Film Productions are related: (i) the granting of the rights to exploit the Intellectual Property made during the year (€ 44,469 thousand); (ii) the granting of the right to use i characters' characters (EUR 3,029 thousand); (iii) revenues for services (EUR 22,312 thousand).

€/000	30-giu-22	30-giu-21	Changes
Revenues from the granting of IP exploitation rights	44,469	67,281	(22,812)
Pipeline concession revenues	-	22,862	(22,862)
Revenue from character concession	3,029	2,935	94
Revenues from services	22,312	7,033	15,279
Other revenue	-	117	(117)
Total Revenues Film productions	69,810	100,228	(30,418)

Revenues from concessions of exploitation rights are recognised when the company grants the right to use the intellectual property, know-how and characters. Revenue, following IFRS 15, is recognised *at a point in time*, as the company grants the right to use (*right to use*) the know-how as it exists at the time it is granted. Revenues related to film production service activities are accounted for on a progress basis.

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

No estimated revenues are recognised in the financial statements.

Below is a breakdown of revenue from Film Productions by film/web series:

€/000	30-giu-22	30-giu-21	Changes
Granting of IP exploitation rights	44,469	67,281	(22,812)
Arctic Friends Web Series	-	42,366	(42,366)
Tell it like a Woman	-	2,420	(2,420)
Waiting for the barbarians	114	-	114
Puffins Web Series	15,168	22,495	(7,327)
Baby Puffins & Bunny Web Series	11,884	-	11,884
MUTI	12,623	-	12,623
State of Consciousness	3,369	-	3,369
Giving Back 2	1,311	-	1,311
Pipeline concession	-	22,862	(22,862)
Granting of characters	3,029	2,935	94
			-
Services activities	22,312	7,033	15,279
Puffins Impossible	20,139	6,583	13,556
Other services activities	2,173	450	1,723
			-
Other revenue film productions	-	117	(117)
Total Revenues Film productions	69,810	100,228	(30,418)

Revenues are mainly from non-EU customers (€ 64.5 million); the remainder is from Italian customers.

On the whole, the company's performance is not significantly affected by seasonal phenomena related to certain year periods.

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

Note No. 22 Tax Credits and other government grants

The item is mainly composed of the tax credit for cinema production, which refers to the tax benefit deriving from tax credits granted to film production companies concerning costs incurred for producing Italian audiovisual works.

Tax credits and other government grants are detailed below:

€/000	30-giu-22	30-giu-21	Changes
Tax Credit film productions	10,446	10,341	105
Arctic Friends Web Series (various seasons)	179	6,117	(5,938)
Tell it like a Woman	41	153	(112)
Waiting for the barbarians	39	26	13
Eddie & Sunny	2	-	2
Puffins Web Series (various seasons)	5,068	4,045	1,023
Baby Puffins & Bunny Web Series (various seasons)	1,778	-	1,778
MUTI	1,757	-	1,757
State of Consciousness	1,139	-	1,139
Giving Back 2	442	-	442
R&D Tax Credit	-	558	(558)
Arctic Friends Web Series	-	558	(558)
			-
Other government grants	12	-	12
Total Tax Credits and other government grants	10,458	10,899	(441)

Note no. 23 Costs for Services

The item Cost of services and its comparison with the previous year's balances are detailed in the following table:

€/000	30-giu-22	30-giu-21	Changes
Celebrity Management costs	1,179	1,861	(682)
Costs for offering service	1,224	534	690
Costs for the creation of contents in the Metaverse	9,348	-	9,348
Costs for digital delivery	92	156	(64)
Business travel and transfers	187	120	67
Various administrative expenses	517	201	316
Bank fees	42	18	24
Technical expertise	358	113	245
Marketing costs	511	123	388
Insurance costs	68	2	66
Directors' fees	678	515	163
Rentals and leases	279	133	146
Fees of the Board of Statutory Auditors	20	20	-
Other purchases of services	113	94	19
Total costs for services	14.616	3.890	10.724

The increase in the item compared with the previous period is mainly attributable to the costs incurred for the creation of content in the Metaverse.

Note no. 24 Personnel costs

The item Personnel costs during the period underwent an increase mainly connected with the recruitment plan of Iervolino Studios d.o.o.

Note no. 25 Amortisation, write-downs and provisions

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

€/000	30-giu-22	30-giu-21	Changes
Amortisation of intangible assets	55,308	92,960	(37,653)
Arctic Friends WS amortisation	1,329	59,818	(58,489)
Amortisation Puffins WS	24,947	28,646	(3,699)
Amortisation Waiting for the Barbarians	90	90	-
Amortisation Tell it like a Woman	-	1,804	(1,804)
Amortisation State of Consciousness	4,033	-	4,033
Amortisation MUTI	12,048	-	12,048
Amortisation Baby Puffins & Bunny WS	9,958	-	9,958
Amortisation Giving Back 2	1,675	-	1,675
Amortisation other rights	1,199	2,584	(1,385)
Amortisation of other intangible assets	29	18	11
			-
Amortisation of tangible fixed assets	78	33	45
Amortisation Rights of use	151	-	151
Amortisation of tangible and intangible fixed assets	55,537	92,993	(37,457)
Write-downs and Provisions	(299)	-	(299)
Total Amortisation Write-downs and provisions	55,238	92,993	(37,756)

The decrease in depreciation is consistent with the lower production achieved in the period.

Note no. 26 Financial income and charges

The item Financial charges and the related comparison with the previous year's balances are detailed in the following table:

€/000	30-giu-22	30-giu-21	Changes
Foreign currency rate gains	59	112	(53)
Other financial income	-	-	-
Total financial income	59	112	(53)
Interest expense on loans	433	366	67
Amortised cost	74	129	(55)
Gains and losses on foreign exchange	1,238	1,345	(107)
Losses on Financial Investments	901	-	901
Other financial charges	1,035	177	858
Total financial charges	3,681	2,017	1,664

The change with respect to the previous period is mainly connected with the loss on financial investments.

Note no. 27 Income tax

Income taxes are broken down as follows:

€/000	30-giu-22	30-giu-21	Changes
IRES (Corporate income tax)	716	1,216	(500)
IRAP (Regional Income Tax)	164	254	(90)
Taxes from previous years	(6)	(294)	288
Deferred taxes	1,815	(426)	2,241
Total income tax	2,691	750	1,941

The difference between the standard tax rate for IRES of 24% and the effective tax rate of 12% is mainly attributable to the combined effect of: (i) increase in the amortisation of intangible assets equal to EUR 6 million; (ii) decrease in revenues from public grants equal to EUR 10.4 million; (iii) decrease in the amortisation rate of intangible assets recovered for taxation in the period equal to EUR 7.3 million.

Note No. 28 Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to the Group's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit attributable to the Group's ordinary shareholders (after adjusting for interest on bonds convertible into shares) by the weighted average number of ordinary shares outstanding during the year and those arising from the conversion of all convertible bonds.

The result and share information used in the calculation of basic and diluted earnings per share are shown below:

€/000	30-giu-22	30-giu-21
Weighted average number of ordinary shares for basic earnings per share purposes	24,150	24,016
Operating profit	3,383	12,349
Basic earnings per share (ordinary shares)	0.14	0.51
Bonds convertible into ordinary shares	-	-
Diluted earnings per share (ordinary shares)	0.14	0.51

Note no. 29 Other information

29.1 Transactions with related parties

Below are the financial and economic transactions of the Issuer with related parties from 1 January 2022 to 30 June 2022:

	Trade Receivables		Other assets		Trade payables		Other liabilities		Revenues		Costs	
	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000
TATATU S.p.A.	-	-	1,721	-	-	-	-	-	-	-	-	-
Welcome to Italy S.r.l.	255	-	-	-	-	-	-	-	129	-	-	-
Furuna Crafts d.o.o.	233	-	-	-	-	-	-	-	233	-	-	-
Total related party transactions	488	1,721	-	-	-	-	-	362	-	-	-	-
Total budget items	52,424	133,960	36,405	60,600	83,260	73,564	-	-	-	-	-	-
Weight on budget items	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

The outstanding credit balance with Tatatu S.p.A. of EUR 1,721 thousand relates to a receivable due in 2023 for the consideration paid for the closure of the ADV business unit (EUR 1,089 thousand) and a trade receivable (EUR 641 thousand).

Relations with Welcome to Italy S.r.l. refer to the services rendered by ILBE for the executive production of the film "Ferrari".

Relations with Furuna Crafts d.o.o. refer to service activities provided by Iervolino Studios d.o.o.

The Issuer's financial and economic transactions with related parties from 1 January 2021 to 31 December 2021 are set out below:

	Trade Receivables		Other assets		Trade payables		Other liabilities		Revenues		Costs	
	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000	€/000
TATATU S.p.A.	-	-	1,721	-	-	-	-	-	-	-	-	-
Total related party transactions	22	1,721	-	-	-	-	-	33	-	-	-	-
Total budget items	18,759	160,418	22,257	166,920	162,319	128,817	-	-	-	-	-	-
Weight on budget items	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Transactions with related parties carried out with Tatatu S.p.A. during the period, amounting to EUR 33 thousand on the revenue side and EUR 22 thousand on the credit side, refer to services rendered by the subsidiary Arte Video S.r.l.. The outstanding credit balance with Tatatu S.p.A. of EUR 1,721 thousand

relates to a receivable due in 2023 for the consideration paid for the closure of the ADV business unit (EUR 1,089 thousand) and a trade receivable (EUR 641 thousand).

29.2 Commitments and guarantees given by the Group

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

Euro thousands	30/06/2022
Guarantees given by the Group	3,517
Guarantees received by the Group	18,317
Total guarantees given and received	21,833

29.3 Information pursuant to Article 1, paragraph 125 of Law No. 124 of 4 August 2017

In compliance with the obligations of transparency of public disbursements introduced by art. 1, paragraphs 125-129 of Law no. 124/2017, it should be noted that concerning the tax credits for independent producers of audiovisual works referred to in art. 8, paragraph 2, of Decree-Law no. 91 of 8 August 2013 and Ministerial Decree of 5 February 2015, and DM Tax Credit 15/03/2018 referred to art. 15 and 16 of Law no. 220 of 14 November 2016, below is the detail of the tax credit accrued in the year 2020, 2021 and 2022:

Euro thousands					
Granting body	Title of the work	Tax credit accrued in 2022	Tax credit accrued in 2021	Tax credit accrued in 2020	
Mibact	Tell it like a women	-	-	-	
Mibact	Arctic Friends web series (various seasons)	-	5,908	6,177	
Mibact	Puffins web series (various seasons)	-	5,348	3,971	
Mibact	Waiting for the Barbarians	-	-	520	
Mibact	Eddie & Sunny	-	-	1,233	
Mibact	Dakota	1,744	-	-	
Mibact	State of Consciousness	1,374	-	-	
Mibact	MUTI	2,143	-	-	
Total		5,261	11,256	11,901	

29.4 Events after the balance sheet date

There were no significant events occurring after the end of the period.

It is noted that the geopolitical dynamics relating to the conflict between Russia and Ukraine have not had an appreciable impact on the evolution of business management which has not been affected by the adverse conditions resulting therefrom.

29.5 Transactions arising from atypical and/or unusual operations

No atypical and/or unusual transactions were carried out in the period between 31/12/2021 and 30/06/2022.



Iervolino & Lady Bacardi

Entertainment S.p.A.

Review report on the interim condensed consolidated
financial statements as of June 30, 2022

(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 2022. 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, 2022 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 30th, 2022

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