



**Iervolino & Lady Bacardi
Entertainment**

Iervolino & Lady Bacardi Entertainment S.p.A.

PRESENTATION TO INVESTORS

Rome, October 2021

Strictly Private and Confidential

Iervolino & Lady Bacardi Entertainment at a Glance

ILBE Group Overview

→ Iervolino & Lady Bacardi Entertainment S.p.A.

(ILBE) is a global production company established by Andrea Iervolino and Lady Monika Bacardi specialized in **cinema and television content production for the international market.**

→ **ILBE** differentiates from its local competitors by **producing “Hollywood style” quality content** listing **top – ranked international actors** such as Johnny Depp, Morgan Freeman, John Travolta, Robert Pattinson and many others.

BUSINESS LINES

IP Production



ILBE mainly focuses on production of Film, TV show, Web show and Service activities to third party producers, coming from IP production processes (the “Pipeline”) and IP Characters exploitation

[see more](#)

Service Rendering



Iervolino Studios d.o.o. by ILBE is a wholly-controlled subsidiary in Serbia focused on the executive production (service) of animation content sold to third party producer.

[see more](#)

Celebrity Management



Arte Video S.r.l. is a company active in the high-quality production of video, film, animation and multimedia contents and post productions services. Its services are rendered to both external and intra ILBE Group entities. The Company since its integration within the Group has been performing outstanding, with high visibility, increasing its market share and also adding value at the Group production processes.

[see more](#)



Red Carpet S.r.l. is a reference point at national level in the selection of VIP casting for the main Italian TV shows, as well as in the creation of video contents for TV and web. The Company since its integration within the Group has been performing outstanding, with high visibility, increasing its market share and also adding value at the group production processes.















[see more](#)

History Milestones

- **2011** → Company foundation
- **2018** → Production focuses not only on Made in Italy cinema for the international market, but on international cinema, based on the Hollywood Majors’ business model
- **2019** → IPO
- **2020** → Business lines expansion through: full acquisition of Arte Video S.r.l., full acquisition of Red Carpet S.r.l., set up of the wholly-controlled subsidiary in Serbia Iervolino Studios d.o.o. by ILBE
- **2021** → Focus on cash generation through exploitation of own IP (Pipeline & Characters) licensed to third producers to make film live action with animation components; Market analysis for possible targets with high quality features and develop the audiovisual (TV series) and unscripted content group offer.

ILBE Group Business Model

Business Model Value Chain

Players	ILBE Business Lines Scope	Activities	Outputs	ILBE Accounting
  	IP PRODUCTION	Business Development & Negotiation Pre Production, Production, Post Production Delivery	Business Idea, Cast Selection, Sale & Production Agreements IP Asset Movie / Web Series / TV Show / Web Show	Not Capitalizable Costs Recognition Production Costs Capitalization Sales of IP Rights Revenues Recognition GVMT Grants Revenues Recognition & IP Asset Ammortization
		Distribution	Production Distribution	BackEnd Revenues Recognition
         	SERVICES RENDERING	IP Asset Valorization Negotiation Service Rendering	Pipeline & Characters Service Agreement Service Rendered	N/A → IP Production Costs have already been sustained and capitalized Service Revenues Recognition
	CELEBRITY MANAGEMENT	Celebrities & Events Exploration Negotiation on Fees Delivery	Celebrity Management Plan Agreement Celebrity Participation to Events	Not Capitalizable Costs Recognition Revenues Recognition

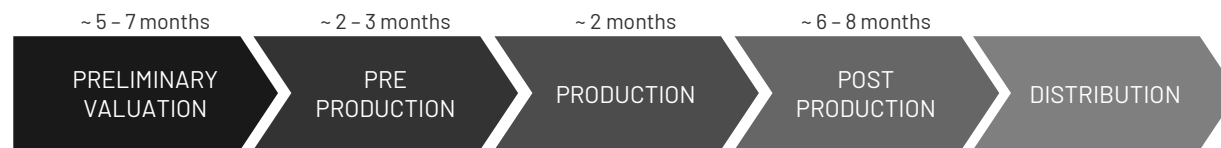
ILBE Group Business Model

Global Production Company

Distinctive Positioning

The diagram shown below maps the different subjects that participate in the cinema production and distribution process up to the audience.

Iervolino & Lady Bacardi Entertainment is positioned at the top of the pyramid, backed by several distinctive elements.

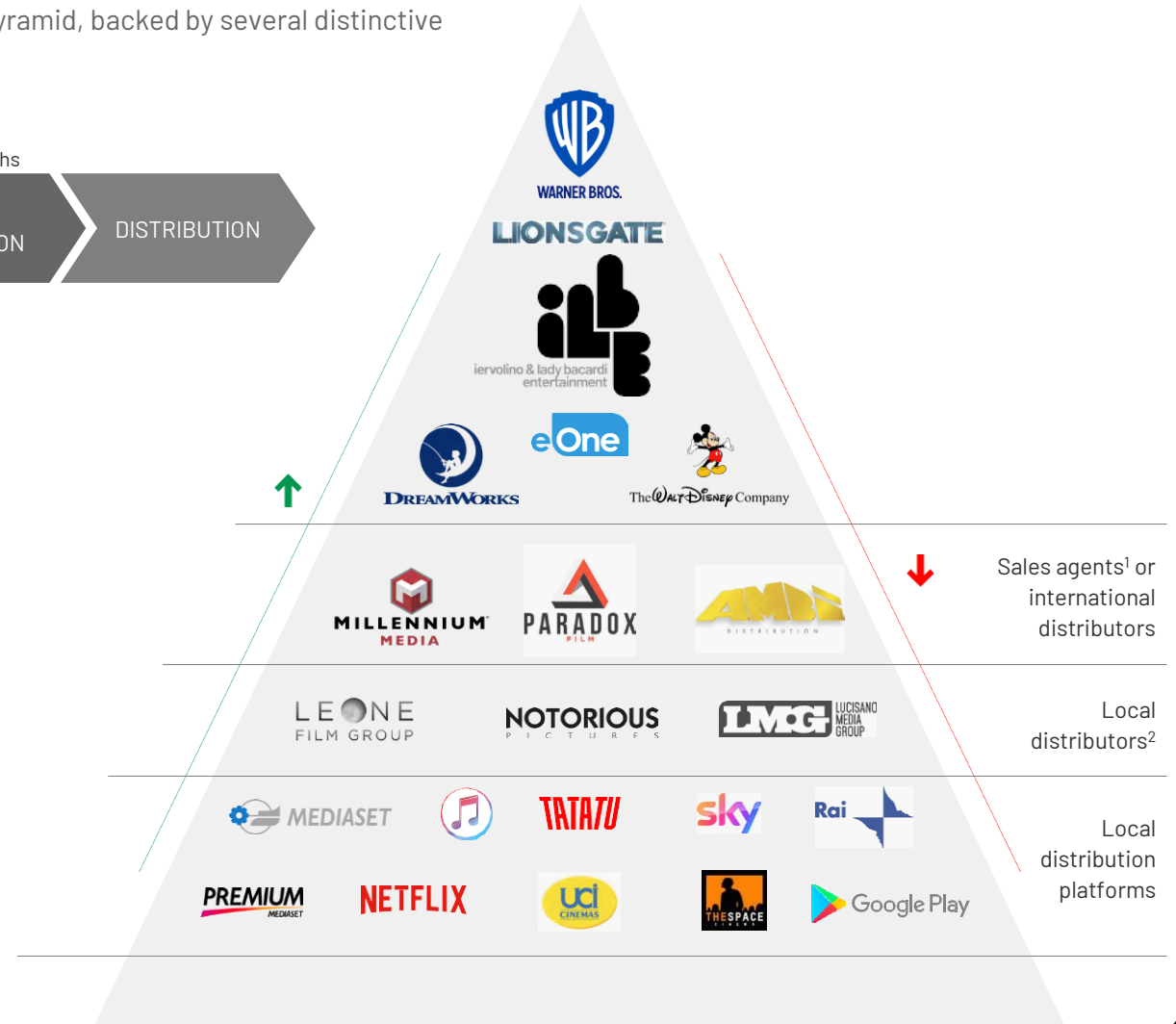


↑ Business Model with HIGH PROFITABILITY...

- Iervolino & Lady Bacardi Entertainment carries out its activities on a global scale
- Iervolino & Lady Bacardi Entertainment holds the intellectual property rights of the productions

↓ and LOW RISK

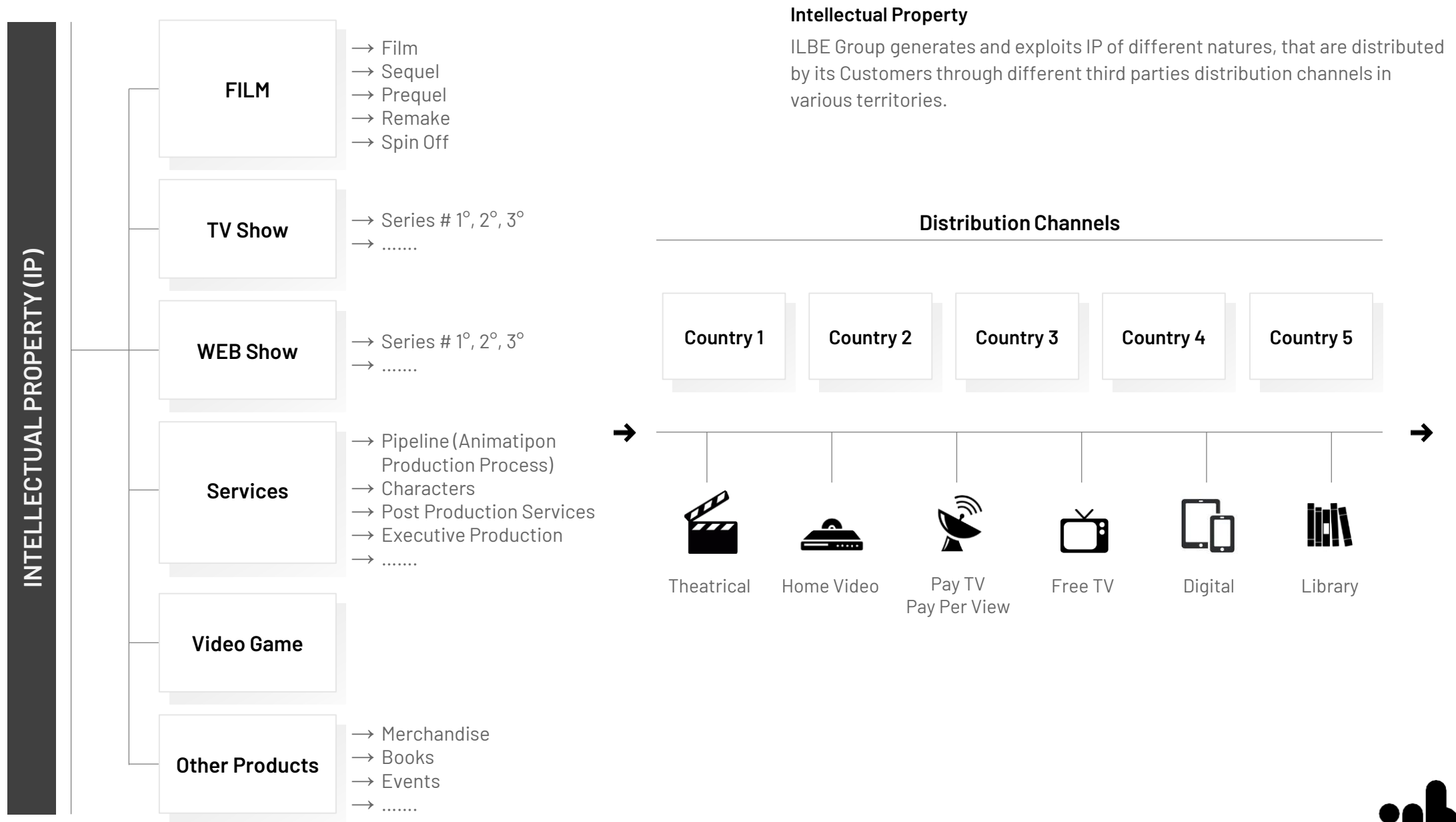
- Iervolino & Lady Bacardi Entertainment carries out only production activities
- The various distributors bear the print & advertising costs
- The production budget is submitted to a sales agent, who ensures a minimum non-revocable guaranteed amount (MG) to the Company



(1) Sales agents are above all referable to the major Hollywood players.

(2) Local distributors are shown by way of example but not limited to, and relating to the Italian scene. Considering the global market, the average presence is 10 local distributors per country.




















The Value of Intellectual Property (IP)






















ILBE Group Business Model

Hollywood Style Quality Movies

Thanks to the appeal of its business model and to strong relationships, Iervolino & Lady Bacardi Entertainment is able to attract some of the best actors around the world.

Nomination		Award	
 			1
			2
 			3
			
 			1
			
 		Nominated: 7 Golden Globes, 2 Academy Awards	
			

Nomination		Award	
 			2
			
 			1
			
 			1
			1
 		Nominated: 1 MTV Movie + TV Awards	

Map Key:  Academy Award  Golden Globe  BAFTA Award  Emmy Award  MTV Movie Award

Key Investment Highlights: ILBE Intellectual Property

IP Library

ANIMATION IPs



PIPELINE

IP on processes and working methods for the production of short animated contents.



CHARACTERS

Characters of Arctic Justice, Puffins, Puffins Impossible, etc., represent an high valuable IP commonly licensed to be used in third parties productions, typically in the New Format Animation Live Action like the recent: "Christmas Thieves" and "The Good Witch of Christmas".

MOST RELEVANT CURRENT IP PRODUCTIONS



ARCTIC FRIENDS



[see more](#)



[see more](#)



[see more](#)

A web series started in 2018, based on the animated film produced by Andrea Iervolino "Arctic Justice". The film was released under the title Arctic Dogs in US cinemas in 2019, and was among the three most viewed titles in the "lock down" period on Netflix US. The film Arctic Dogs received the Best Animation award at the 24th edition of Cartoons on the Bay, the cross-media animation and children's TV festival promoted by Rai and organized by Rai Com. Arctic Friends debuted on Apple TV in second place in Italy and in first place in the rankings for families



PUFFINS



[see more](#)

An animated web series, spin off of the family animated film "Arctic Justice". The episodes, lasting about 5 minutes each, have as main subjects the "puffins", literally "puffins", nice and mischievous creatures of "Arctic Friends". In June 2020 an agreement was signed for the recruitment of Johnny Depp, who will lend his voice for the character Johnny Puff in the "Puffins", for 250 of the 5-minute episodes of the web series. Huge success for Puffins, in first place on Apple TV Italy.

Key Investment Highlights: ILBE Intellectual Property

IP Library

MOST RELEVANT CURRENT IP PRODUCTIONS



THE POISON ROSE

We are in the 1970s. Carson Philipps (Travolta) is a private detective who is escaping some Los Angeles henchmen, after freeing Violet, daughter of the local boss, from her father and helping her escape. To flee from those who want him dead, he accepts a case away from Los Angeles and encounters a shady illegal betting system involving the world of football, the ambiguous Dr. Mitchell and Doc (Freeman), a powerful boss in the area.



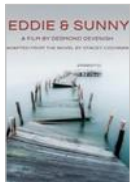
WAITING FOR THE BARBARIANS

The film is based on the novel of the same name by the 2003 Nobel Prize for Literature JM Coetzee, directed by Oscar nominee Ciro Guerra and with Academy Award winner Mark Rylance, Johnny Depp and the star of the Twilight saga, Robert Pattinson. The film, in full trend with other majors such as Warner Bros and Universal, was released on 7 August 2020 on on-demand and digital platforms, in the USA and Canada distributed by the American film distribution company Samuel Goldwyn. At the start of programming, it was among the five most viewed films on Apple TV in the United States. In early September it was the first most viewed film on Apple TV in the UK. Also in Italy, in early March 2021 the film was the first most watched on Apple TV.



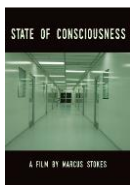
TELL IT LIKE A WOMAN

An all-female "live action" and "animation" project produced by Iervolino & Lady Bacardi Entertainment, is a film composed of 6 short contents lasting 15 minutes each whose main theme is a story based on animation scenes that represent a relevant part of the project. The contents, directed by 6 female directors from different parts of the world, encompass various genres, ranging from drama to comedy, up to docudrama and soul.



EDDIE & SUNNY

A film by British director and screenwriter Desmond Devenish, based on the critically acclaimed novel by Stacey Cochran which was published in the USA. The story is about an impulsive homeless couple who, in defense of their teenage son, commit the murder of a drug cartel affiliate and are forced into hiding to escape their revenge.



STATE OF CONSCIOUSNESS

A film by director Marcus Stokes. It tells the story of Stephen (Emile Hirsch, known for his role Into the Wild) an ordinary boy who finds himself having to manage a mental short circuit that detaches him from reality, finding himself forced to have to take medications for a psychological disorder he doesn't actually have. To regain his sanity and return to his normal life, his only chance will be to escape from the evil plans of Dr. Laura Fiel.

Key Investment Highlights: ILBE Intellectual Property

IP Library

MOST RELEVANT CURRENT IP PRODUCTIONS



MUTI

A film by directors George Gallo, Francesco Cinquemani, Luca Giliberto. The film will follow Detective Boyd (Hauser), who, unable to process the death of his daughter, embarks on a hunt for a serial killer who murders according to a brutal tribal ritual: Muti. The only person who can help Boyd is Professor Mackles (Freeman), an anthropologist who hides an unspeakable secret. The line between sanity and madness thins as Boyd goes deeper into the killer's world.



DAKOTA

A film by director Kirk Harris. When Marine Clay Sanders tragically dies in Afghanistan, Sargent CJ Malcom (Tim Rozon) fulfills a promise to bring Dakota (Nikita), Clay's best friend and combat dog, home to his family's farm. Clay's wife Kate (Abbie Cornish) is struggling to maintain the small-town farm with her daughter (Lola Sultan), while also running the local volunteer fire department, so CJ offers to stay and help out. Dakota quickly adjusts to life on the farm and becomes a local hero after rescuing a woman from a burning building. Meanwhile, the local Sheriff (Patrick Muldoon) knows that Kate's land is valuable and has been leaning on her to sell the farm. He'll stop at nothing to get his hands on the land, including setting fire to the farm. With the help of CJ, her daughter, Clay's father (William Baldwin) and her new best friend, Dakota, Kate realizes the true value of the family farm and most importantly, friendship.



GIVING BACK GENERATION

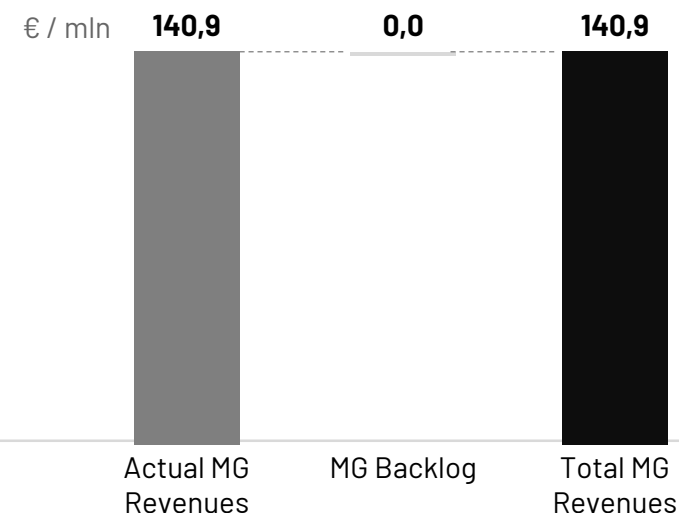
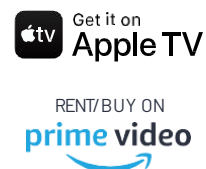
The eight episode series (roughly hour-long episodes) features groups of celebrity guests opening up and candidly discussing important issues and life lessons facing today's teens and young adults – such as friendship, empowerment, inclusion, paying it forward, positivity, and more, with the common goal of giving back.

"Giving Back Generation" addresses the ways in which young adults and teens work to give back to their communities and others in their lives through their actions and positive self-expression. Giving Back Generation is the debut series from TaTaTu's dedicated social impact department and marks a larger push into community activism & global stewardship through the development of content while supporting the voices of socially-minded content creators.

Success Stories: Arctic Friends



ARCTIC
FRIENDS



Arctic Friends Contractualized Episodes

Arctic Friends	2018	2019	2020	2021	2022	Total
# Episodes	15					
# Episodes		35				
# Episodes			72			
# Episodes				68		
# Episodes						
TOTAL						190

Cost Per Minute for Animation Productions

Title	Cost per Minute
Gli Incredibili 2	\$ 1,69 M
Coco	\$ 1,67 M
The Secret Life of Pets	\$ 1,62 M
Baby Boss	\$ 1,29 M
Ferdinand	\$ 1,03 M
Zootopia	\$ 862 K
Hotel Transylvania 3	\$ 825 K
The Little Prince (independent)	\$ 752 K
The Nut Job (independent)	\$ 494 K
Leap (independent)	\$ 337 K
ARCTIC FRIENDS - Web Series	\$ 200 K

Source: IMDB

Source: 2021H1 = Actual Data; 2021 and over = ILBE Business Plan

Key Investment Highlights: ILBE Intellectual Property

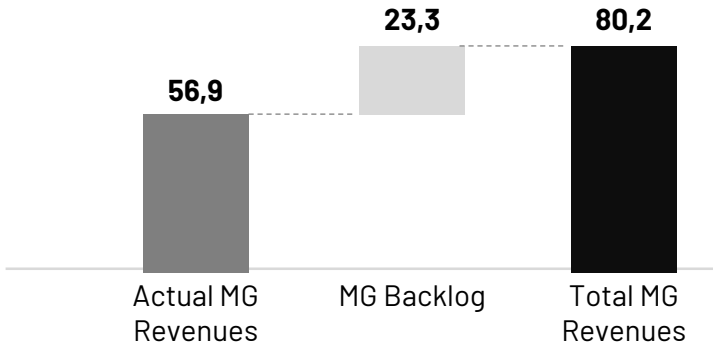
Success Stories: Puffins



PUFFINS



€ / mln



Puffins Contractualized Episodes

Puffins	2018	2019	2020	2021	2022	Total
# Episodes						
# Episodes		20				
# Episodes			50			
# Episodes				120		
# Episodes						
TOTAL						190

Cost Per Minute for Animation Productions

Title	Cost per Minute
Gli Incredibili 2	\$ 1,69 M
Coco	\$ 1,67 M
The Secret Life of Pets	\$ 1,62 M
Baby Boss	\$ 1,29 M
Ferdinand	\$ 1,03 M
Zootopia	\$ 862 K
Hotel Transylvania 3	\$ 825 K
The Little Prince (independent)	\$ 752 K
The Nut Job (independent)	\$ 494 K
Leap (independent)	\$ 337 K
PUFFINS – Web Series	\$ 158 K

Source: IMDB

Source: 2021H1 = Actual Data; 2021 and over = ILBE Business Plan

Key Investment Highlights: ILBE Intellectual Property

Success Stories: Movies



THE POISON ROSE



John Travolta



Morgan Freeman



Famke Janssen



Peter Stormare



Brendan Fraiser

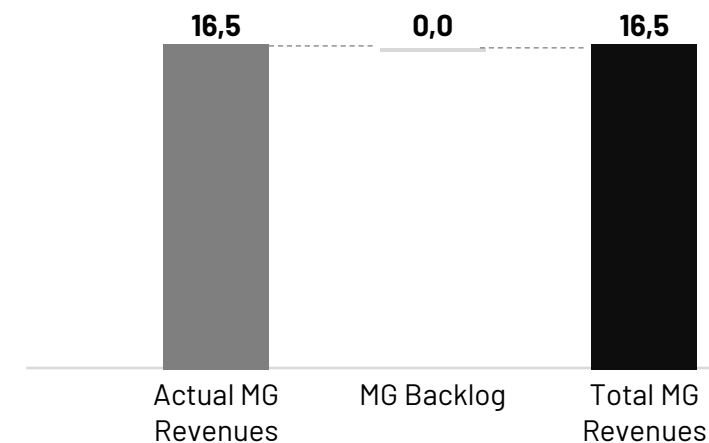


Robert Patrick

Genre: Thriller, Crime

Directors: Francesco Cinquemani, George Gallo, Luca Gilberto

€ / mln



WAITING FOR THE BARBARIANS



Mark Rylance



Johnny Depp



Greta Scacchi



Robert Pattinson



Gana Bayarsaikhan

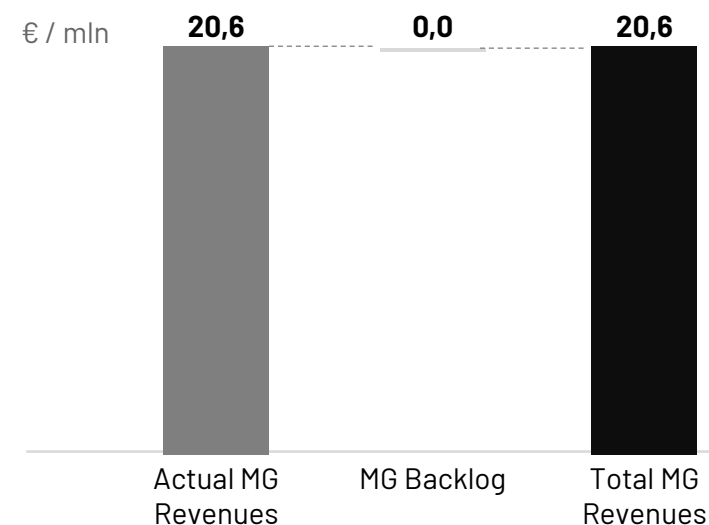


Harry Melling

Genre: Drama

Directors: Ciro Guerra (Nominated for Oscar Award)

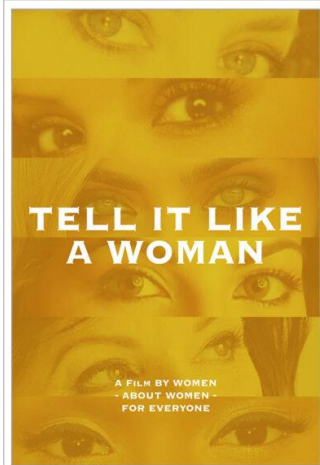
€ / mln



Source: 2021H1 = Actual Data; 2021 and over = ILBE Business Plan

Key Investment Highlights: ILBE Intellectual Property

Success Stories: Movies



TELL IT LIKE A WOMAN



Margherita Buy



Eva Longoria



Cara Delevingne



Marcia Gay Harden



Anjali Lama

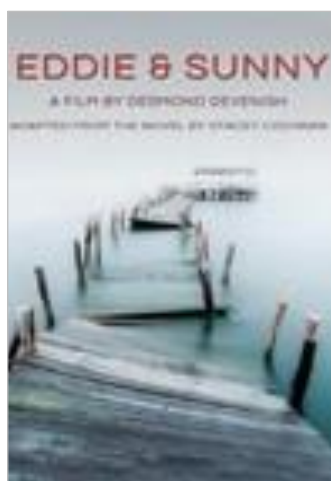
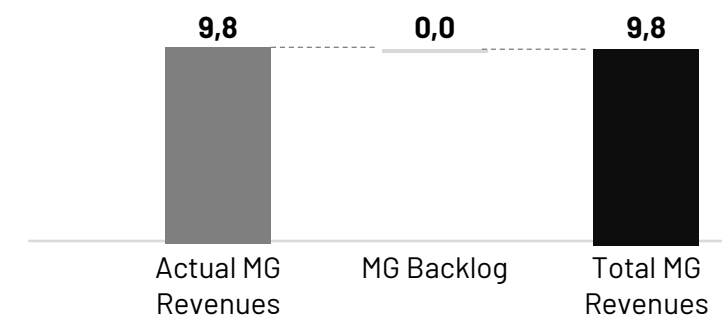


Jacqueline Fernandez

Genre: Comedy, Animation

Directors: Leena Yadav, Lucia Puenzo, Maria Sole Tognazzi, Cathrine Hardwicke, Mipo O, Taraji P. Henson

€ / mln



EDDIE & SUNNY



Gabriel Luna



Joanna Vanderham



Xander Bailey



Lorenzo McGovern Zaini



Katie McGovern

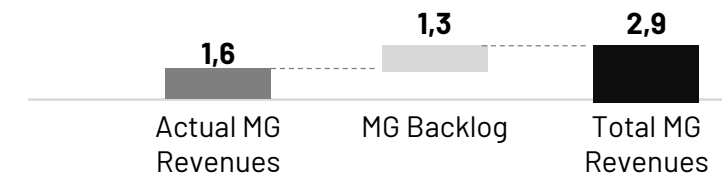


Esmeralda Spadea

Genre: Crime, Drama, Romance

Directors: Desmond Devenish

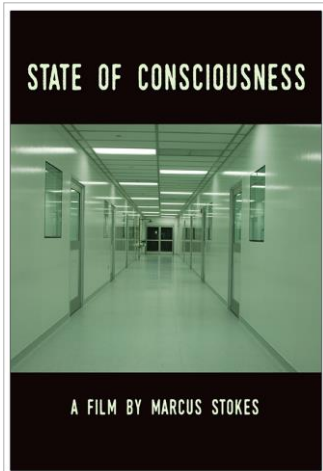
€ / mln



Source: 2021H1 = Actual Data; 2021 and over = ILBE Business Plan

Key Investment Highlights: ILBE Intellectual Property

Success Stories: Movies



STATE OF CONSCIOUSNESS



Emile Hirsch



Tatjana Nardone



Gaia Scodellaro



Kesia Elwin



Michael E. Rodgers

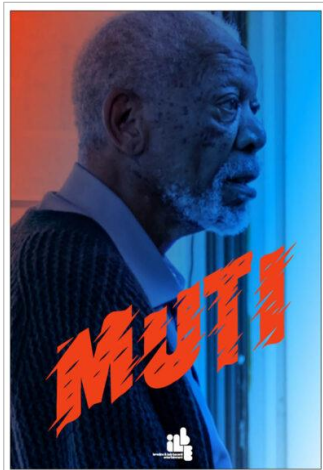
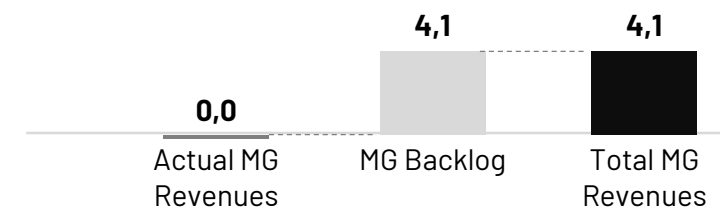


Yoon Cometti Joyce

Genre: Thriller

Directors: Marcus Stokes

€ / mln



MUTI



Morgan Freeman



Cole Hauser



Julie Lott



Vernon Davis



Peter Stormare

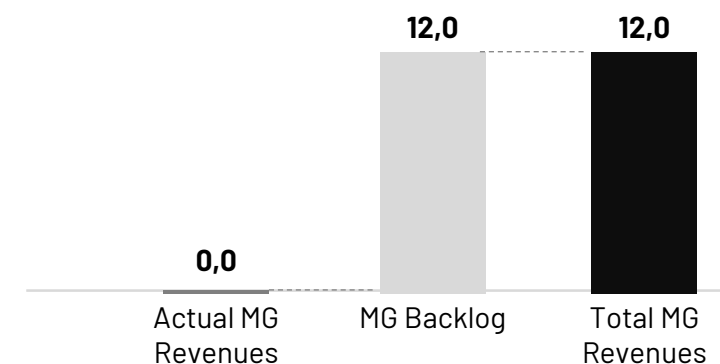


Paul Sampson

Genre: Action, Thriller

Directors: George Gallo, Francesco Cinquemani, Luca Giliberto

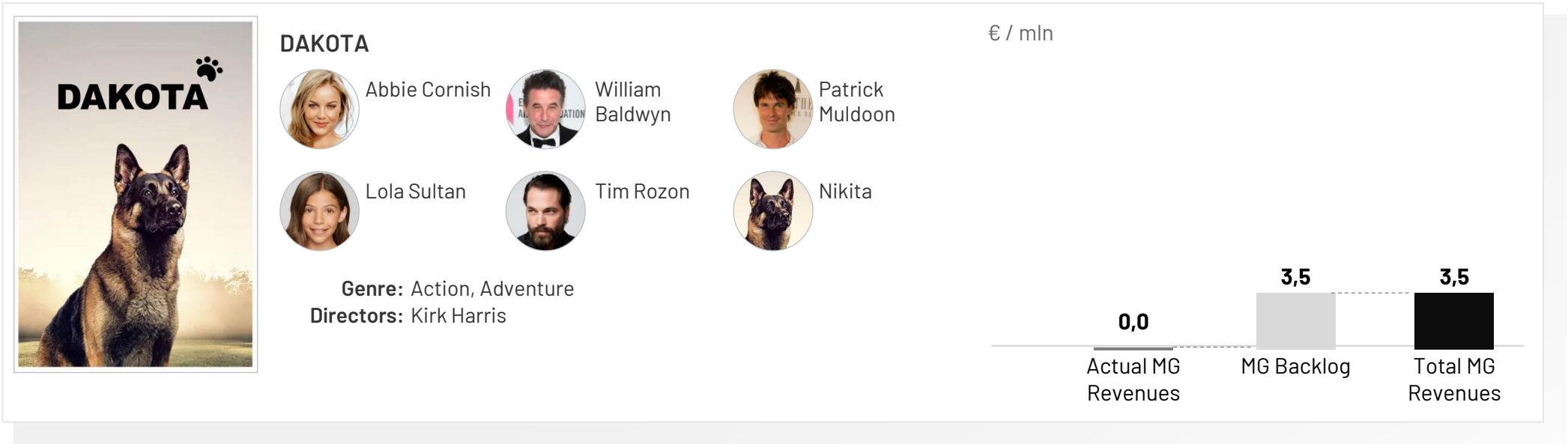
€ / mln



Source: 2021H1 = Actual Data; 2021 and over = ILBE Business Plan

Key Investment Highlights: ILBE Intellectual Property

Success Stories: Movies



Source: 2021H1 = Actual Data; 2021 and over = ILBE Business Plan

Board of Directors, Audit Committee & Shareholder's Structure

The Board of Directors involves two independent directors with an outstanding background.

Board of Directors



Andrea Iervolino

Chairman & CEO



Giorgio Paglioni

Executive Director Finance



Riccardo Tiscini

Independent Director



Francesco D'Intino

Director



Roberto Di Mario

Independent Director

Audit Committee



Fabio Tinari

Chairman



Fabrizio Marsala

Auditor



Fabrizio Del Franco

Auditor



Valentina Sorgente

Alternate Auditor



Luigi Brizzi

Alternate Auditor

Shareholder's Structure as of Today



MONIKA BACARDI

100%

ANDREA IERVOLINO*

100%

MB MEDIA SA

47,41%

IA MEDIA SA

31,47%

MARKET**

21,13%

IERVOLINO & LADY BACARDI ENTERTAINMENT SpA

Note(*): Andrea Iervolino owns the control of the company with 57,91% voting rights thanks to multiple-voting shares
Note(**): of which 0,24% owned by Andrea Iervolino



External Auditors: Ernst & Young

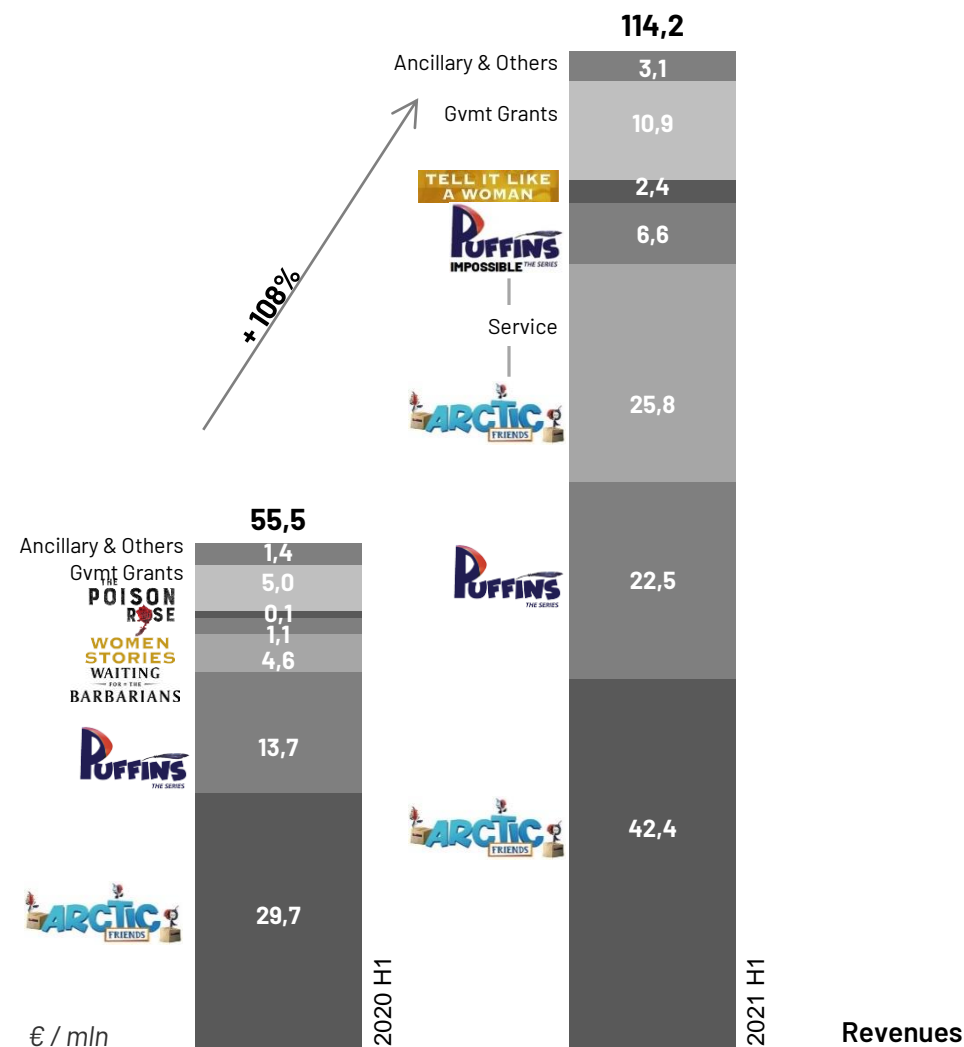
Human Resources

ILBE Group has approximately 120 permanent employees plus some independent professional contractors that in some cases have specific responsibilities.

When the production of an audiovisual work begins, a considerable number of workers are hired until its conclusion. During 2021 H1, 328 temporary employees were hired for the ongoing productions.

Financial Highlights

Revenues, EBIT and Net Profit: 2020 H1 vs 2021 H1



2020 H1

- » 1 Movies: Women Stories
- » 2 Short TV Shows: Arctic Friends (30 ep.), Puffins (30 ep.)
- » 3 Movies WIP: Waiting for the Barbarians, Together Now, Eddie & Sunny

2021 H1

- » 1 Movies: Women Stories (aka Together Now)
- » 2 Short TV Shows: Arctic Friends (68 ep.), Puffins (59 ep.)
- » 3 Movies WIP: Eddie & Sunny, State of Consciousness, Dakota

€ / mln	2020 H1	2021 H1	Δ %
Sale of Rights	40,5	67,3	66%
Services	-	32,8	-
Backend	8,6	-	(100%)
Ancillary	1,4	2,9	110%
Others	-	0,2	12.000%
Value of Production	50,5	103,3	104%
Government Grants	5,0	10,9	119%
Revenues	55,5	114,2	106%
Operating Costs	(1,9)	(6,2)	230%
D&A	(41,6)	(93,0)	124%
Accruals	-	-	-
EBIT	12,0	15,0	25%
EBIT Margin	22%	13%	(39%)
Financial Charges	(0,4)	(1,9)	380%
Others	-	-	-
EBT	11,6	13,1	13%
Taxes	(2,0)	(0,8)	(63%)
Net Profit	9,6	12,3	29%

- » Service revenue include revenues arising from sale of Pipeline (production process), sale of Characters, rendering of production services.
- » Ancillary revenue include revenues arising from Celebrity Management, Advertising and Digital Delivery.
- » Operating Costs are mainly made up of Cost of Services and Personnel Costs; the latter are characterized by a lean structure.
- » D&A is calculated on a single production basis and it is connected to the revenues flow accordingly with the Individual Film Forecasting Method (IFFM). The first amortization (generally around 75% of the asset value) is recognized at the delivery date. The remaining is recognized over the following three years.
- » Financial charges are mainly related to interest expenses and foreign exchange losses.
- » Others include non recurring charges, classified as D&A in financial statements.
- » The actual tax for 2021 H1 is € 0,8 mln as a result of income taxes (€ 1,5 mln) after deductions of DTA (€ 0,7 mln).

Financial Highlights

Balance Sheet 2021 H1 at a Glance

€/ mln

2021 H1

Net Financial Position:

€ 17,3 mln

Financial Debts: € 24,1 mln

Cash: € (2,4) mln

Current Fin. Assets: € (4,4) mln

Shareholder's Equity:

€ 79,4 mln

Share Capital: € 1,4 mln

Reserves: € 36,4 mln

Accumulated Earnings: € 29,2 mln

Net Profit: € 12,4 mln

ASSETS BREAKDOWN

Other Current Assets are entirely composed of:

- Government Grant: € 22,1 mln
- VAT Receivable & Other: € 2,0 mln
- Other Assets: € 8,0 mln

Other Non Current Assets are mainly composed of:

- Deferred Taxes: € 6,7 mln

Trade Working Capital:

€ (6,0) mln

Trade Receivables: € 34,5 mln

Trade Payables: € (40,5) mln

Fixed Assets:

€ 84,8 mln

Intangible Assets: € 75,5 mln

Other Non Cur. Assets: € 9,3 mln

Other Assets / Liabilities:

€ 17,9 mln

Current Assets: € 32,1 mln

Current Liabilities: € (13,6) mln

Other Liabilities: € (0,6) mln

LIABILITIES BREAKDOWN

Other Current Liabilities are mainly composed of:

- Deferred Income: € 5,3 mln
- Customers Advances: € 4,4 mln
- Tax Payables: € 2,3 mln

Financial Debts are entirely composed of:

- Intesa S. Paolo Loans: € 9,6 mln
- Intesa S. Paolo Bond: € 7,8 mln
- Banca Progetto Loans: € 1,0 mln
- Mediolanum & Other: € 5,0 mln

Cash Flow

€/ mln

	2020 H1	2021 H1	Δ %
Cash Flow from Operations	16,8	71,7	327%
Cash Flow from Investments	(21,2)	(73,3)	(246%)
Cash Flow from Financing	(1,6)	0,4	125%
Total Net Cash Flow	(6,0)	(1,2)	80%

In the last couple of years the positive Cash Flow from Operations has been absorbed by continuous Investments in the IP Portfolio and IP Pipeline (production process).

The 2021 H1 change in cash and cash equivalents is the result of funds generated by financing activities and those absorbed by investment activities in audiovisual works (mainly Arctic Friends, Puffins, Puffins Impossible, Dakota, Eddie & Sunny and State of Consciousness) and in the preliminary activities towards future new productions which exceed the funds generated by operating activities.

Note:

- On December 2020 there has been the conversion of the mandatory convertible bond for the amount of € 7,7 mln.

Financial Highlights

Balance Sheet at a Glance: Net Financial Position Analysis

		31/12/2020	30/06/2021
<ul style="list-style-type: none">Signed on 29/5/2020 (backed by FCG)Expiring 2025Interest Rate: 4,75% until 30/06/2020 2,5% + Euribor 3M	<div>Long Term Debts</div> <div><div>Banca Progetto</div><div>Intesa San Paolo</div><div>Intesa San Paolo</div><div>Intesa San Paolo</div><div>Unicredit</div><div>Banca Ifis</div></div>	18,1	18,8
<ul style="list-style-type: none">Signed on 15/12/2020 (backed by SACE)Expiring 2025Interest Rate: 2,6% + Euribor 3M		0,7	0,7
<ul style="list-style-type: none">Signed on 15/07/2020 (Basket Bond)Expiring 2027Interest Rate: 4,07%		4,1	2,5
<ul style="list-style-type: none">Signed on 29/01/2021 (backed by SACE)Expiring 2023Interest Rate: 1,5% + Euribor 3M		5,5	2,1
<ul style="list-style-type: none">Signed on 23/03/2021 (backed by SACE)Expiring 2026Interest Rate: 3,25% + Euribor 3M		7,8	7,8
<ul style="list-style-type: none">Signed on Jul, Aug, Dec 2019Expiring 2023, 2024Interest Rate: 5% + Euribor 1M		-	3,0
	<div>Short Term Debts</div> <div><div>Banca Progetto</div><div>Banca Ifis</div><div>Credit Facilities</div></div>	-	2,7
		5,3	5,2
		0,3	0,4
		-	0,3
		5,0	4,5
NET FINANCIAL DEBT		23,4	24,0
(Current Financial Assets: Inv. Funds)		(4,3)	(4,4)
(Cash & Cash Equivalent)		(3,5)	(2,3)
NET FINANCIAL POSITION		15,6	17,3

Financial Highlights

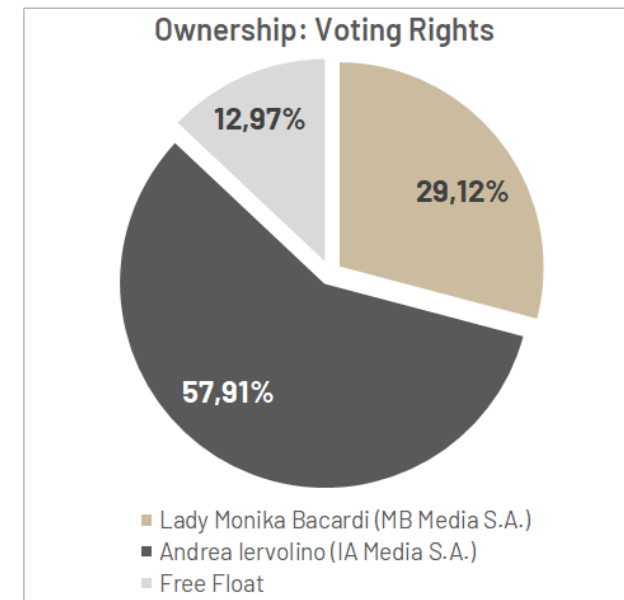
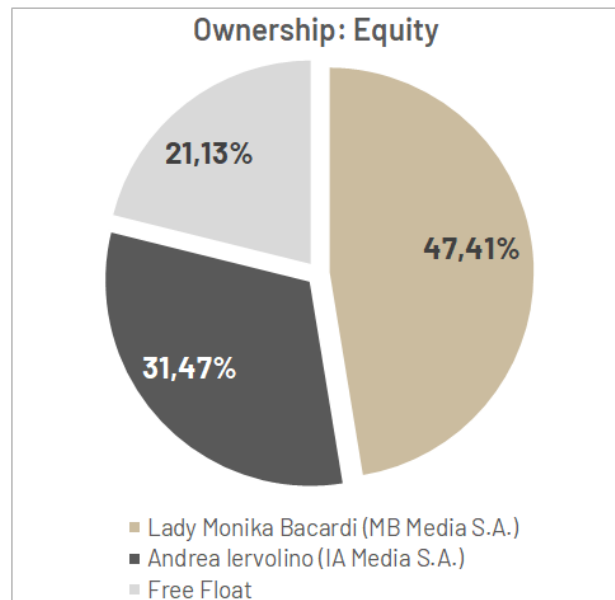
ILBE Share Price & Ownership

Share Holder	# Shares	% Share Capital	% Voting Rights
Lady Monika Bacardi (MB Media S.A.)	16.600.800	47,41%	29,12%
Andrea Iervolino (IA Media S.A.)	11.017.847	31,47%	57,91%
Multiple Voting Rights	11.000.000	31,41%	57,88%
Ordinary	17.847	0,05%	0,03%
Free Float	7.397.457	21,13%	12,97%
TOTAL	35.016.104	100,00%	100,00%

Reference Date: 16 April 2021

The subscribed and paid up share capital is equal to Euro 1.400.644, consisting of no. 24.016.104 ordinary shares and no. 11.000.000 multiple voting shares.

Since its admission to AIM, priced € 1,95 per share at IPO, as of today ILBE share price has performed an increase of 76%.



Financial Highlights

Backlog & Projects Under Development

The three-years ILBE Business Plan provides a reasonable prediction on volumes of activities that will be generated by:

→ **Backlog**: Projects already contractualized and under production.

→ **Projects Under Development**, already identified.

Contractualized Backlog

Thanks to web series and other film productions, the company can exploit its backlog in order to have a continuous revenue flow.

At present time the contractual production portfolio (guaranteed minimum revenues still to be produced), totalling € 44,2 mln, is broken down as follows.

	Revenues	2021		2022		2023		2024	
	€ / mln	H1	H2	H1	H2	H1	H2	H1	H2
▪ PUFFINS (Web Serie)	23,3								
▪ EDDIE & SUNNY 3D Production (Movie)	1,3								
▪ STATE OF CONSCIOUSNESS (Movie)	4,1								
▪ DAKOTA (Movie)	3,5								
▪ MUTI (Movie)	12,0								
	<u>44,2</u>								

Projects Under Development

The projects under development relate to the following future activities that the Group will reasonably develop in the next three years 2022 - 2024 and amount to a rough weighted estimate of budget of € 349,2 mln.

Future activities refer to: IP Productions, Service Activities, Digital Delivery, Celebrity Management

	Budget*	2021		2022		2023		2024	
	€ / mln	H1	H2	H1	H2	H1	H2	H1	H2
▪ ANIMATED WEB SERIES (IP Production)	105,0								
▪ AUDIOVISUAL PROJECTS (IP Production)	26,6								
▪ MOVIES (IP Production)	18,7								
▪ «UNSCRIPTED» PROJECTS (IP Production)	0,2								
▪ PUFFINS IMPOSSIBLE (Executive Prod. Service)	78,7								
▪ IP SERVICE & LICENSING (Service)	120,0								
▪ Digital Delivery & Celebrity Management	15,0								
	<u>349,2</u>								

* Budget means budgeted amount related to up to now known projects under development

In addition, the 3yrs BP takes also into account the reasonable forecasts of additional revenues expected from development activities not yet broken down into projects.

Strategy

1. Sustainable Growth



2. Assets Improvement



3. Market Expansion

Our Goals

1.

Focus on **Business Growth** aimed at creating **Value for Shareholders** through: **Cash Generation, Increase of Productions and Services Providing.**

2.

Enhance our **IPs Portfolio** and expand our **Services Offering.**
Consolidation of Business Model.

3.

Generate **Valuable Market Growth** by attracting **New Top Quality Customers** and **Increasing** our presence with **Existing Ones.**
Diversification of Business Model.
Organic and External Growth.

Action Plan

1.

Strengthen **Key Financial Indicators** and Optimizing **Net Financial Position** also by speeding up the entire **Cash Generation Process.**
Exploit **IP Portfolio** (backends and rights of sales).

2.

Take advantage of our **IP «Animation Pipeline»** (production process) and leverage on our **Executive Production Capabilities** in order to exploit **Service Activities.**
Production of **Top Quality Films** and **TV Series.**
Celebrity Management growth.

3.

Develop valuable **New Productions' Business Plans** to attract top quality customers and **Improve Profitability.**
Entry in the **TV Market** by the **"Unscripted Contents".**
New Languages production (**Spanish**).
VFX Production internationalization.

The Business from the Accounting Point of View

Entertainment and Media Industry business, particularly for Production Companies, limited to the key features of revenues recognition, capitalization and amortization of production costs and tax credits treatment, can be represented as follows.

Revenue Recognition

The different revenues streams related to the content business are, according to consolidated industry practices and IAS guidelines:

- 1) Sale or license of distribution rights of the Intellectual property through the payment of the “Minimum Guaranteed Amount” must be recognized as revenue at the moment in which the IP Distribution rights are passed to the customer (i.e. the content is accepted by the agent/distributor);
- 2) Ancillary Revenues, revenues from further exploitation of IP through merchandising, spinoffs, books etc., are recognized as they occur;

- 3) So-called “Backend Revenues”, a share of the extra profits earned by the Distributor that are owed by contract to the Producer and must be recognized as they occur.

Capitalization of Production Costs

The production costs in the content industry are capitalized, as production leads to an Intellectual Property, not to a “good”. These costs can be capitalized and recognized both as “Intangible Assets” as well as “Inventory” according to the different criteria: guidelines suggest that in case of the sale or license of distribution rights only (i.e. when the production company retains the majority of its rights on the IP) expenses should be capitalized as “Intangible Assets” thus falling into the guidelines established by IAS 38 (Work in progress).

Production costs that can be capitalized are all those costs directly related to the production of the Intellectual Property, including some direct overhead costs, administrative costs and, if any, related interest expenses.

Amortization of Intangible Assets

It represents the amortization of the rights of exploitation of the Intellectual Property stemming from the production or acquisition of movies or other video contents’ rights. In the Cinema Industry the rights of movies and series are amortized using the “individual-film-forecast-computation-method”.

Under this method and in the absence of changes in estimates, an entity amortizes capitalized film costs in a manner that yields a constant rate of profit over the ultimate period, which considers a film’s actual current-period revenue and estimated remaining “Ultimate Revenue”.

“Ultimate Revenue” is an estimate of all revenues expected to be received from the exploitation, exhibition and sale of a film in all markets and territories.

Hence, for each period, there is an amortization schedule that follows the predicted percentage of revenues coming from the movie in all forms (so comprehensive of expected royalties, merchandising sales, usage etc.).

Tax Credit Recognition

The accounting of the Cinema Tax Credits follows the industry common practice that includes them among the other revenues, following the same distribution of the specific costs they refer to, i.e. the amortization of the production costs. As for R&D tax credit they are also included among other revenues in the year they are recognized.



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