NACON
Société anonyme governed by a Board of Directors with share capital of €84,908,919
Registered office: 396/466, Rue de la Voyette, CRT 2, 59273 Fretin, France
Registration number: 852 538 461 RCS Lille Métropole
(the "Company")

UNIVERSAL REGISTRATION DOCUMENT

"An integrated pure player

in video games"

This universal registration document was approved on 7 July by the Autorité des Marchés Financiers ("AMF") as the competent authority in respect of regulation (EU) 2017/1129.

The AMF approved this document after verifying that the information it contains is complete, consistent and comprehensible. The URD is approved under number R. 20-014. Such approval should not be construed as a favourable opinion of the issuer subject of this URD.

The URD may be used for the purposes of a public offering of financial securities or the admission of financial securities to trading on a regulated market if accompanied by a securities note and, where applicable, a summary and any supplements to the URD. The whole is approved by the AMF in accordance with regulation (EU) 2017/1129.

The URD is valid until 6 July 2021. In accordance with articles 10 and 23 of regulation (EU) 2017/1129, the URD must be completed by a supplement during that period and at the latest at the same time as the securities note should new significant factors or material errors or inaccuracies occur.

Copies of this universal registration document are available free of charge from Nacon's registered office at 396/466, Rue de la Voyette, CRT 2, 59273 Fretin, and in electronic form from the AMF website (www.amf-france.org) and the Nacon's website (www.nacon.fr).

GENERAL INFORMATION

The Universal Registration Document (URD) describes the Company as it exists on the date this URD was registered.

The URD, prepared in accordance with appendix I of Commission delegated regulation (EU) no. 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, presents the statutory financial statements for the period ended 31 March 2020 and the corresponding consolidated financial statements.

It incorporates by reference the combined financial statements for the periods ended 31 March 2019 and 31 March 2018, which are presented in the registration document approved by the AMF on 29 January 2020 under number I. 20-003. Those financial statements were the subject of an audit report issued by one of the Company's statutory auditors, which contained an emphasis of matter paragraph relating to Note 2.1.2 "Basis of preparation of the combined financial statements" of the notes to those financial statements, which describes the combination principles and conventions.

Forward-looking statements

The URD contains information about NACON's prospects and development strategy. Such information is sometimes identified by the use of the future tense, the conditional mood or forward-looking terms such as "consider", "envisage", "think", "aim", "expect", "intend", "should", "have the ambition of", "estimate", "believe", "wish", "could", or the negative forms of the same terms as the case may be, or any other variant or similar expression. This information does not constitute historical facts and must not be construed as warranting that the anticipated events and data mentioned will actually materialise. The information is based on data, assumptions and estimates that the Company considers reasonable. It is liable to change or be altered due to uncertainties concerning the technological, economic, financial, competitive and regulatory environment. The information is mentioned in various sections of the URD and includes data relating to NACON's intentions, estimates and objectives concerning, in particular, the Company's markets, products, strategy, commercial roll-out, growth, results, financial position and cash position. The forward-looking information in the URD is provided only at the URD's filing date.

Barring any statutory or regulatory obligation that may apply (including regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse), the Company makes no undertaking to publish updates to the forward-looking information contained in this URD in order to reflect any change relating to its objectives or to events, conditions or circumstances on which the forward-looking information in this URD is based. The Company operates in an environment that is highly competitive and subject to ongoing technological change. It may therefore be unable to anticipate all risks, uncertainties or other factors that may affect its business activity, their potential impact on its business activity or the extent to which the materialisation of a risk or combination of risks could produce results significantly different from those mentioned in any forward-looking information, it being understood that none of that forward-looking information is a guarantee of actual results.

Information about the market and the competition

The URD contains, particularly in Section 5 "Business overview", information about NACON's business and its competitive position. Some information contained in the URD is information available to the public that the Company considers to be reliable but that has not been verified by an independent expert. The Company cannot guarantee that a third party using different methods for collating, analysing or calculating business segment data would obtain the same results. Given the rapid changes in the technological and competitive environment, this information may prove inaccurate or out-of-date. Accordingly, trends in NACON's business activities may depart from those presented in this URD. The Company makes no undertaking to publish updates to that information, except as part of applicable legislative or regulatory obligations, including those arising from regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

Risk factors

Investors are invited to read carefully the risk factors presented in Section 3 "Risk factors" of this URD before making any investment decision. If some or all of these risks were to occur, that could have an adverse impact on NACON's activities, results, financial position or outlook. In addition, other risks not yet identified or not considered material by the Company at the date of the URD could also have an adverse impact.

Rounding

Certain figures (including figures expressed in thousands or millions) and percentages in this URD have been rounded. The totals presented in this URD may slightly differ from those which would have been obtained by adding together the non-rounded values of those figures, as the case may be.

Convention

For greater clarity, the name NACON will be used to designate Bigben Interactive's former Gaming division except where duly stated otherwise in the historical sections.

Contents

1. PERSONS RESPONSIBLE

1.1 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Mr Alain Falc, Chairman and Chief Executive Officer of the Company.

1.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

"*I hereby certify that, having taken all reasonable care to ensure that such is the case, the information contained in this Universal Registration Document, to the best of my knowledge, conforms to the facts and contains no omission likely to affect its import.*

I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and all the companies included in its scope of consolidation and that the management report contained in this universal registration document presents fairly in all material respects trends in the business, results and financial position of the Company and all the companies included in its scope of consolidation and that it describes the main risks and uncertainties to which they are exposed."

Fretin,
7 July 2020

Alain Falc
Chairman and Chief Executive Officer of the Company

1.3 PERSON RESPONSIBLE FOR FINANCIAL REPORTING

Alain Falc,
Chairman and Chief Executive Officer of NACON
396/466 rue de la Voyette, CRT 2, 59273 Fretin, France

Telephone: +33 (0)3 20 90 72 00
Fax: +33 (0)3 20 87 57 99

1.4 INFORMATION FROM THIRD PARTIES

None.

1.5 APPROVAL OF THE UNIVERSAL REGISTRATION DOCUMENT

This Universal Registration Document was approved on 7 July 2020 by the Autorité des Marchés Financiers ("**AMF**") as the competent authority in respect of regulation (EU) 2017/1129.

The AMF has only approved this Universal Registration Document to the extent that it complies with the standards of completeness, comprehensibility and consistency required by regulation (EU) 2017/1129. Such approval should not be construed as a favourable opinion of the issuer subject of this Universal Registration Document.

2. STATUTORY AUDITORS

2.1 STATUTORY AUDITORS

Principal Statutory Auditors

Fiduciaire Métropole Audit (FMA) represented by Mr François Delbecq,
26, boulevard du Général de Gaulle, 59100 Roubaix

Appointed by resolution passed at the Company's shareholders' meeting on 22 January 2020 for a term of six financial years ending at the shareholders' meeting to be held in 2025 to vote on the financial statements for the financial year ended 31 March 2025.

KPMG SA represented by Mrs Stéphanie Ortega
Tour Eqho, 2, avenue Gambetta, 92066 Paris La Défense cedex

Appointed in the Company's articles of association on 12 July 2019 for a term of six financial years ending at the shareholders' meeting to be held in 2025 to vote on the financial statements for the financial year ended 31 March 2025.

2.2 INFORMATION ABOUT STATUTORY AUDITORS THAT HAVE RESIGNED, BEEN REMOVED OR NOT BEEN RE-APPOINTED

None.

3. RISK FACTORS

The Company operates in a changing environment that involves risks, some of which are out of its control. Investors are invited to take into account all information in this URD, including the risk factors specific to the Group as described in this Section, before deciding whether or not to subscribe for or acquire shares in the Company. The Company has reviewed the key risks specific to the Group that may have a material adverse effect on its business activity, financial position, earnings and outlook.

However, investors' attention is drawn to the fact that the list of risks described below is not exhaustive. Other risks or uncertainties that are unknown or that the Company did not regard, at the URD's filing date, as capable of having a significant adverse impact on the Group, its business activity, financial position, earnings or outlook, may exist or could become material factors capable of having a significant adverse impact on the Group, its business activity, financial position, earnings, development or outlook.

Method of analysing risk factors:

Pursuant to the provisions of Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council, this Section describes the material risks that could, at the URD's filing date, have an adverse impact on the Group's business, financial position, reputation, earnings or outlook, notably as identified during the Group's risk mapping process, which assesses their materiality, i.e. the magnitude of their negative impact and the probability of occurrence after the impact of any mitigating action plans.

The Company has summarised its risks into the following five categories in no particular order of importance. Within each of the risk categories, the risk factors that the Company regards as the most material at the URD's filing date are mentioned first. The occurrence of new events, both internal and external to the Company, may therefore alter this order of importance in the future.

For each of the risks described below, the Company has applied the following procedure:

- presentation of the gross risk as it exists within the Company's business operations;

- presentation of measures taken by the Company to mitigate that risk.

The net risk is measured after the application of those mitigation measures.

The Company has assessed the materiality of the net risk, based on a combined analysis of two criteria: (i) probability of occurrence and (ii) magnitude of its negative impact.

The materiality of each risk is assessed below, based on the following qualitative scale:
- Low
- Average
- High

(Probability of occurrence, magnitude of negative impact and materiality are assessed after any mitigating action plans)

SUMMARY TABLE			
Risk	**Probability of occurrence**	**Magnitude of negative impact**	**Materiality of net risk**
Risks related to the business			
Risks related to potential delays in the development and marketing of the main products developed by the Group	Average	High	High
Risks related to lower-than-expected sales of a high investment game	Low	High	Average
Risks related to reliance on third-party technology	Low	Average	Average
Risks related to sourcing and production of accessories	Low	Average	Average
Risks related to inventories and their management	Average	Average	Average
Seasonal variations in business during the year	Average	Average High for Accessories Low for Games	Average
Specific impact of the Covid-19 pandemic on the video games universe	High	Nil (risk with positive impact)	Low
Risks related to the Company's financial position			
Risks related to acquisitions - Financial and general risks related to acquisitions - Risk of goodwill impairment	Low Low Low	Average Average Average	Average Low Average
Liquidity risk	Low	Low	Low
Currency risk	Low	Average	Low
Market risk			
Risks related to reliance on manufacturers of consoles and game platforms - -Risk of non-accreditation as a publisher or non-authorisation on console manufacturers' digital platforms - -Risk related to closed console systems - -Risk of additional costs generated by the release of new generation consoles - -Risks related to non-compliance with console and platform manufacturers' technical requirements	Average Average for Accessories Low for Games	Average High for Accessories Low for Games	Average High for Accessories Low for Games
Risks related to the competitive environment	Low	High	Average
Risks related to the company's organisation			
Risks related to attracting and retaining key personnel - Risks related to seeking and retaining talent - Risk related to acquisitions: integration of employees - Reliance on key people	Average	High	High
Risks related to the influence of parent company Bigben Interactive and its shareholders over the Company	High	Low	Average
Regulatory and legal risks			
Risks related to tax incentives such as the Video Games Tax Credit (Crédit d'Impôt Jeu Vidéo – CIJV)	Low	High	Average
Risks related to intellectual and industrial property	Average	Average	Average
Risks related to legal and administrative proceedings	Average	High	Average
Risks related to the General Data Protection Regulation (GDPR)	Low	Low	Low
Material non-financial risks (NFS)			
Health and safety of employees and third parties in the workplace	High	High	High

3.1 RISKS RELATED TO THE BUSINESS

3.1.1 Risks related to potential delays in the development and marketing of the main products developed by the Group

The Company may experience delays in development programmes for new products (games and accessories), whether developed in-house or by sub-contractors. Any delay relative to the original schedule would have a negative impact on NACON's revenue and earnings, and on its growth prospects.

Summary table of the number of games developed in-house and outsourced over the last four years:

	31/03/2017	31/03/2018	31/03/2019	31/03/2020
In-house developments	6 (Kylotonn + Eko)	5 (Kylotonn + Eko)	5 (Kylotonn + Eko + Cyanide)	14 (5 "in-house" studios)
Outsourced developments	5	7	12	5

Risks related to delays in the development of a game

The Company may decide to delay or extend the development of a game if the quality of its developments is judged to be inadequate or if the Company believes it more appropriate, for example for marketing reasons, to coincide the release of a new game with an external event to improve its visibility (e.g. sports games such as Tennis marketed at the same time as a high profile competition or tournament). In 2018/19, for example, NACON announced the postponement of two games (*Warhammer Chaosbane* and *Sinking City*) until the first quarter of 2019/20 in order to improve them and align them to NACON's expected quality standards. Furthermore, NACON may decide to delay the release of a finished game for timing reasons (for example, waiting for a time when no other major rival games are being released).

However, as a general rule, the commercial success of a video game depends largely on sticking to the development schedule.

The consequences of delaying the development of a game would be as follows:

- the Company could incur development expenses that were not originally foreseen;
- the Company may not be able to quickly redeploy the internal teams allocated to or working on the delayed game to other Company projects;
- the game's release date could be delayed to a period that would not give the new title optimum visibility, which could have an impact on its commercial success;
- sales of the video game would be delayed which, in the case of a major title, could have an impact on the achievement of the budget and related targets.

The impact of a delay in releasing a game (loss of revenue and/or reputation) is the same whether the game is developed in-house or outsourced.

The advantage of in-house development is that the Publishing division's teams are more quickly aware of any problems that may arise, whether technical or otherwise, and can more easily prepare a 'marketing response'.

In an outsourced development, the additional costs related to a release delay are borne by the studio (unless agreed otherwise by the parties).

The Company uses the following procedures to prevent or mitigate the risks of a delay in the development and marketing of a game:

For in-house developments:

- compliance with a strict production process whereby the Publishing team is informed of any difficulty experienced by the development teams;
- maintaining a high level of expertise in handling the game engines used by the development teams.

For outsourced developments:

- drastic selection of third-party studios based mainly on their track record and regular monitoring of progress in their work.

To date, as stated in Section 7.1.2, the Covid-19 pandemic has not caused any major delay in the Group's schedule of new releases.

Risks related to delays in the development and marketing of an accessory

The consequences of a delay in releasing a gaming accessory would be as follows:

- the Company could incur additional development expenses or expenses caused by having to supply the products urgently, for example by air freight, in order to make up the delay in marketing;
- the Company may not be able to quickly redeploy the R&D teams allocated to or working on the delayed product to other Company projects, as the case may be;
- the accessory's release date could be delayed to a period that would not give it optimum visibility, which could have an impact on its commercial success (for example, after Christmas);
- revenue flows from the sale of the accessory would be delayed.

The Company uses the following procedures in order to prevent or mitigate the risks of a delay in the development and marketing of a major accessory:

- a rigorous project management process with a strong focus on compliance with deadlines and relations with the production plants, particularly concerning 'quality assurance' aspects, when the project moves into the production phase;
- optimum anticipation in its supply chain of deliveries to international distribution hubs, using either sea freight or air freight (where timescales dictate).

Materiality of this risk

The Company assesses the materiality of this net risk as "high", based on the following analysis:

- more than 50% (and expected to be 70% in less than three years) of its games and 100% of its accessories are developed in-house, which lowers the probability of occurrence of a delay to "medium". The Company is therefore more quickly aware of any delays and has the time to prepare a commercial 'counter-attack';
- the negative financial impact on the Company is assessed as "high" because postponing the release of a high-contribution game or accessory to a future financial year could have a negative impact on its current year earnings, its outlook and objectives.

3.1.2 Risks related to lower-than-expected sales of a high investment game

Despite efforts made, a game that requires heavy investment in development (about €5 to 10 million) could fail to achieve the expected sales given the expenditure incurred. In this case, it could affect the Company's financial position, earnings, objectives and growth outlook.

In a context of broadly increasing development costs, the Company assesses the materiality of this net risk as "average", based on the following analysis:

- the success of a game partly depends on exogenous circumstances over which the Company has no control (fad effect, popularity with gamers unpredictable, etc.); and
- although the Company believes it now has a large enough video game line-up (new releases from its own studios and a large back-catalogue[1] of old titles) to limit its reliance on a game that requires heavy investment, lower-than-expected success could have a substantial negative short-term impact on the Company: impact on revenue and profitability (especially in the first year, since digital revenue in future years could then partially or totally offset the initial investment).

[1] NACON definition: digital video games released in prior financial years.

3.1.3 Risks related to technological changes affecting video game development

The video games sector has seen many technological innovations during the past few years and the rate of innovation remains sustained.

The Group's development studios use various specialised software tools commonly used in the video game world, including several game engines. Although the Group does not consider itself to be reliant on a particular technology, its development teams may be unable to adapt sufficiently quickly to a new technology (in particular a new game engine). In this case, the Group's business, earnings and outlook could be significantly affected.

The Group considers that it has adopted a balanced policy as regards the use of development tools. Its studios either:

- use off-the-shelf software (single-use or per-project licences, with or without a time limit, with or without royalties payable on the basis of various indicators such as the number of copies of the game sold or the number of platforms used); or
- develop their own game engine.

The development studios also develop or buy middleware components that are bolted on to the game engine's upper layers (vegetation, particle effects, sound effects, etc.). With other non-material fixed costs such as middleware, licence fees paid represent less than 10% of the total development cost of a game and do not therefore impact on its profitability.

To anticipate technological innovations, the Company ensures that it has in-house expertise capable of adapting to successive upgrades of off-the-shelf software to maintain its ability to develop games for any platform.

The Company assesses the materiality of this net risk as "average", based on the following analysis:

- the effectiveness of adaptation and training measures taken by the Company to understand changing game development technology helps to mitigate the probability of occurrence of this risk to "low", but

- a sudden inability to adapt to game technologies making future developments outdated or obsolete could nonetheless have an "average" negative impact on the Company over a three-year horizon (impact on revenue and profitability).

3.1.4 Risks related to sourcing and production of accessories

In terms of accessories, the Group is 'fabless' (i.e. it does not have its own manufacturing plants) and does not operate any manufacturing facilities. The Company uses around 10 sub-contractors based in Asia for the manufacture, assembly and shipment of its products, except for the Pro Controller®, for which it uses a leading sub-contractor in the market. In order to comply with NACON's manufacturing and product quality criteria, the Company also appoints on a voluntary basis external inspection firms to perform regular audits of the manufacturing facilities it uses.

A geopolitical problem, a breakdown in contractual relations with one of those sub-contractors, or a sub-contractor's difficulties in meeting its contractual commitments, especially in terms of production, product quality, volumes, or delivery times could lead to stock outages, higher manufacturing costs or higher transport costs, thus having an adverse impact on the Company's business, development, earnings and financial position.

This risk materialised during the Covid-19 health crisis in China in early 2020. The Chinese production plants operated on go-slow for a month and a half before returning to normal. The Group is making efforts to preserve or further diversify its supply sources to limit this risk in the future.

The weighting of the top five suppliers has evolved as follows over the years:
- 35% of the Group's total purchases and external charges in 2017/18;
- 22% of the Group's total purchases and external charges in 2018/19;
- 25% of the Group's total purchases and external charges in 2019/20.

The Company assesses the materiality of this net risk as "average", based on the following analysis:

- the Company has carefully selected the partners to which it sub-contracts the manufacture and shipping of its products and has alternative options should one of them fail;
- the Company has a dedicated supplier relationship management team in Asia.

All of these measures contribute to reducing the probability of occurrence to "low".

The Company believes that the magnitude of such a risk would have an "average" negative impact on its revenue, costs and profitability; it would only be affected in the short term because, even if all its current suppliers were to fail in turn, it would only take a few months to have its products manufactured by other Asian or non-Asian suppliers.

Given NACON's financial results, which were little affected by the slowdown in production during the Covid-19 crisis, it was agreed that the materiality and probability of occurrence of this risk would not be raised.

3.1.5 Risks related to inventories and their management

The Company uses Bigben Interactive's 28,000 m² logistics platform at Lauwin-Planque for its business operations. Thanks to the operational and technical investments made by Bigben Interactive, its centralised organisation and experienced workforce, the Company can handle increasing business volumes while meeting the requirements of its distributor customers. Close monitoring of product sales enables the Company to calibrate its orders and hold only enough stocks to meet customer needs on a quarterly basis.

Although the Company believes that its inventory management system is adapted to its business activity, it remains dependent on Bigben Interactive's management of the logistics platform and is exposed to the risk of supplier execution failure, stock outages or transport company failure, as well as certain force majeure risks. Should a problem arise in Bigben Interactive's logistics platform management, or should the Company over- or under-estimate demand from a distributor customer, or should there be even a temporary breakdown in the supply chain, this could have a material adverse effect on the Company's reputation, business, earnings and financial position.

There is an agreement to charge back logistics services (warehousing, order preparation and shipment) provided by the Lauwin-Planque logistics warehouse, owned by Bigben Interactive, to the Company and its subsidiaries (see Section 6.3).

Apart from these inventory management risks related to physical games and gaming accessories, the Company is also faced with the risk of obsolescence of products held in inventory. This risk arises from a mismatch between volumes of products ordered from suppliers and volumes of orders received from customers. The life of a product, which is often short, forces the Company to monitor its inventories closely, including prior to a product launch.

The following table shows the value of inventories and amounts written down over the past two years:

In thousands of euros	Accessories	Games	Other	Total 2019/20	2018/19
Gross value	24,014	14,266	912	39,191	31,306
of which physical inventories	22,567	14,266	912	37,744	29,528
of which goods in transit	1,447	,	,	1,447	1,778
Impairment loss	(4,888)	(6,878)	(8)	(11,774)	(10,858)
Net value	19,126	7,388	903	27,417	20,449

Inventory levels at end-March 2020 were not only impacted by Covid-19 and the severe slowdown in sales of physical products at end-2019/20, but also by the recovery in RIG™ headsets in March 2020, which led to an increase in this balance sheet item.

The Company therefore endeavours to optimise its inventory management according to seasonal business constraints and product sourcing times (just-in-time production and shipping, accurate continuously updated sales forecasts to facilitate 'reservations' of available stocks, etc.).

The Company assesses the materiality of this net risk as "average", based on the following analysis:

- the Company believes it has taken the requisite measures to understand customer needs and monitor inventory turnover closely, contributing to mitigating the probability of occurrence to "average"; and
- furthermore, holding old unsaleable stocks that are not yet fully written down would have an "average" negative impact on the Company's costs and profitability.

3.1.6 Seasonal variations in business during the year

Historically the business of Bigben Interactive's Gaming division was highly seasonal with sales skewed sharply to the end of the calendar year (particularly the Christmas period).

Historical figures taken from the sector information provided in Bigben Interactive's consolidated financial statements show this skew towards the third financial quarter (October to December):

- in 2018/19, the third quarter represented 30% of NACON's annual revenue;
- in 2019/20, the third quarter contribution rose to 31%.

This seasonal effect primarily affects Accessories, sales of which are highly correlated with sales of consoles, which occur mostly during the Christmas period. Games are less exposed to this seasonal effect as the Company mainly develops AA video games, which are often released outside of the Christmas period monopolised by AAA game releases. This trend could be accentuated by digitalisation of the market and growth in the number of games downloaded throughout the year.

Given the importance of the year-end festive period on the Company's business, a decline in the fourth financial quarter (January to March) could lead to lower revenues and higher inventories and costs, with the associated impairment risks.

The Company assesses the materiality of this net risk as "average", based on the following analysis:

- the probability of occurrence is considered to be "average" for Games and Accessories, but particularly Accessories:
  - as regards games, NACON has an increasingly large back catalogue and a release schedule for new games spread across the year, which contributes to mitigating the seasonal effects outside of the Christmas period;
  - as regards accessories, the Company believes that premium accessories are aimed at experienced gamers with the financial resources to purchase them at any time of the year.
- as regards the magnitude of this risk: the estimated impact of seasonal variations on the Company's revenue and profitability is taken into account when preparing the Company's budgets and targets. However, should the seasonal effect be stronger than expected:
  - for accessories: its impact would be assessed as "high" because although NACON® premium accessories are aimed at experienced consumers with the financial resources to purchase them at any time of the year, sales of accessories nonetheless remain highly correlated with sales of consoles, which occur mostly during the Christmas period; lower-than-expected sales during that period could therefore have a significant impact on accessory sales;
  - for games: the impact is assessed as "low".

3.1.7 Specific impact of the Covid-19 pandemic on the video games universe

See Sections 7.1.2 and 10.1 on the consequences of the Covid-19 pandemic on consumer behaviour and one-off trends in the Company's sales during this period.

3.2 RISKS RELATED TO THE COMPANY'S FINANCIAL POSITION

3.2.1 Risks related to acquisitions

As part of its external growth policy, the Group believes it is exposed more specifically to two types of risk: risks related to the Company's external growth strategy, and the risk of goodwill impairment given the serial acquisitions made in prior financial years.

The Company assesses the materiality of this net risk, which is divided into two sub-risks as described below, as "average".

3.2.1.1 Risks related to the Company's external growth strategy

(See Note 1 to the consolidated financial statements in Section 18.1.6)

The Bigben Interactive group has made several acquisitions of third-party companies in the past few years. Although the Group is currently focusing on strengthening its teams to build up the production capacity of its own development studios, it may in the future consider acquiring new companies or technologies according to market opportunities.

As part of its external growth policy, the Group could be exposed to the following risks:
- risks related to the integration of its employees and retaining key people (see Section 3.4.1);
- financial risks:
    - failure by the target companies to achieve their business plan;
    - disclosure of unfavourable facts or events affecting the targets despite the due diligence performed prior to the acquisitions;
    - dilution of existing shareholders if the acquisitions are made totally or partially by issuing new shares of the Company to the shareholders of the targets.

If one or more of these risks were to occur, it could have a material adverse impact on the Group's business, financial position, earnings, development and outlook.

Note that past acquisitions made by the Company have not had a highly dilutive effect on existing shareholders. Any post-acquisition contingent consideration has always been paid in cash to avoid any subsequent dilution of existing shareholders. As an indication, the estimated amount of contingent consideration the Company could have to pay for acquisitions already made is €2.4 million at 31 March 2020.

It should be noted that NACON's growth policy does not necessarily focus exclusively on external growth and therefore new acquisitions have not been factored into its business plan and associated targets.

As stipulated in the securities note to its IPO prospectus, about 65% of funds raised from the IPO (net amount of €103.0 million) will be earmarked for the Company's organic growth, mainly through recruitments enabling it to insource an additional part of its games development and increase the pace and profitability of its NACON game releases, while about 35% of the funds will be devoted to external growth operations. The funds raised will not be used for early repayment of the Company's original medium-term loans but to finance additional development costs (organic or external growth).

The Company assesses the materiality of this net risk as "low", based on the following analysis:
- NACON applies very strict selection criteria before validating an acquisition and its recent acquisition track record does not reveal any major financial problem, thus reducing the probability of occurrence to "low";
- the negative impact of this risk in current market circumstances (impact on the Company's cash position and profitability) could be assessed as "average" in light of its net earnings or percentage dilution.

3.2.1.2 Risk of goodwill impairment

Goodwill is the difference between the acquisition price and the fair value of the company acquired. It may be positive or negative.

The goodwill carried on NACON's consolidated and combined financial statements arises very largely from the acquisition of five development studios in 2018 and 2019.

In the consolidated financial statements, goodwill is not amortised in accordance with IFRS 3 "Business Combinations" and IAS 36 "Impairment of Assets". However, goodwill is tested for impairment at the level of the cash generating unit to which it has been allocated (as goodwill alone does not generate an independent stream of cash) whenever there is an indication of impairment, i.e. a significant change in market conditions, a sharp deterioration in earnings or negative net equity, and at least once a year on the closing date. Any impairment losses are taken to the income statement. The sensitivity table in the notes to the annual consolidated financial statements (Section 18.1.6, Note 1) highlights the assumptions that could call into question the amounts of goodwill currently carried in the financial statements.

This risk appears to be low due to the fact that the Gaming market indications and the comparables analysis performed at the time of the acquisitions appear to show that the consideration paid for the development studios acquired in 2018 and 2019 was not overestimated. However, the fair value of goodwill is determined on the basis of a large number of forward-looking assumptions and judgement-based estimates, which may prove to be inaccurate and the risk of a future impairment loss cannot be completely eliminated in the long term.

The Company assesses the materiality of this net risk as "average", based on the following analysis:

- the studio acquisitions were made recently in line with market prices and the video games market is growing, thus reducing the probability of occurrence to "low";
- were the risk to occur, its negative impact (impact on the Company's non-recurring expenses, profitability and intangible assets) would be "average" in light of its net earnings.

However, the Company will remain vigilant and may raise the risk level to "high" should the gaming market begin to decline.

3.2.2 Liquidity risk

(See Notes 10 and 33 to the consolidated financial statements in Section 18.1.6)

Liquidity risk is the risk that the Group will be unable to meet its cash needs through its available resources.

At 31 March 2020, following the €103 million of funds raised from the IPO (after expenses), the Group's cash amounted to €110.9 million and its total debt to €42.8 million, giving it a net cash surplus.

In accordance with the Group's financing policy, the subsidiaries are financed mainly by short-term advances and factoring facilities.

The financing terms (other than factoring) enjoyed by the Company's subsidiaries depend on the lenders' perception of the Company's financial robustness.

The loan agreements entered into by the Company and its subsidiaries contain various covenants.

The covenants to be met at 31 March 2020 were:[2]

Covenants	Target value	Status
Interest cover ratio (EBITDA/interest expense)	> 6	Met
Net leverage ratio (Net debt/EBITDA)	< 2	Met

The Group considers that it complied with the applicable covenants at 31 March 2020. Consequently, debt is positioned in line with its short-term and medium-term due dates in the consolidated financial statements.

The Company regularly evaluates its financing and liquidity needs based on its free cash flow and capital expenditure and working capital needs. It is in regular contact with its banking partners and negotiates appropriate financing facilities with them.

Given its large cash surplus and its liquidity needs over one year, the Company has downgraded the materiality of this net risk from "average" to "low", based on the following analysis:

[2] See introduction to Section 7 for a definition of EBITDA.

- the probability of occurrence is assessed as "low", as the Group considers that, at the URD's filing date, it had sufficient free cash flow to implement its strategy and meet its financial commitments;

- the negative impact of this risk (impact on cash position and profitability) could be assessed as "low" in light of its net earnings.

Despite the very specific circumstances arising from the Covid-19 pandemic, the Company is maintaining its investment objectives and the proposed allocation of the proceeds of its capital increase in early 2020 as part of its IPO. The corresponding funding remains allocated to the Group's development and the execution of its "NACON 2023" strategic plan (see Section 10.1).

3.2.3 Currency risk

(See Note 34 to the consolidated financial statements in Section 18.1.6)

The proportion of revenue billed in currencies other than the euro (mainly USD and GBP in the United Kingdom) represented 27% of NACON's total 2019/20 revenue and 6% of its total 2018/19 revenue. About 50% of the Group's purchases in 2019/20 and about 40% in 2018/19 were denominated in USD. The Group's debt is exclusively denominated in euros.

Currency risk is borne mainly by NACON as it centralises supplies for its European subsidiaries, particularly via its Hong Kong subsidiary.

In the future, the Group believes that a growing proportion of its revenues will be denominated in USD, mainly due to growth in digital sales and development of its international business. In this case, the Group considers that its exposure to currency risk would be reduced.

As part of its currency management policy, the Group typically uses FX TARN/accumulator contracts, but did not have any contracts of this type at 31 March 2020. FX TARNs/accumulators are complex structured derivatives through which the Group undertakes to buy or sell USD according to a schedule and at rates defined when the contract is signed. The use of TARNs/accumulators is a strategy that aims to accumulate USD at a better exchange rate than the available spot and forward rates in return for uncertainty about the total amount of USD that may be accumulated. In the event of a significant change in the EUR/USD exchange rate (upward or downward respectively depending on whether the Company is buying or selling USD), long or short exposure may increase leading to the recognition of foreign exchange losses on those instruments.

Their mark to market value was nil at 31 March 2020. Mark to market value is normally recognised as a liability under "other creditors".

The consequence of an adverse exchange rate would be the recognition of a foreign exchange loss in financial expenses, which would affect the Company's profitability.

The Company assesses the materiality of this net risk as "low", based on the following analysis:

- sensitivity tests show that the Company takes a prudent approach to derivative financial instruments;
- sales in foreign currencies (in particular USD) are expected to increase steadily due to digital game sales and the upturn in US headset business following the acquisition of the RIG® brand from Plantronics Inc, which will offset future purchases in USD (improvement in natural hedging), with both of these factors reducing the probability of occurrence to "low";
- the negative impact of this risk (impact on cash position and profitability) could be assessed as "average" in light of the Company's earnings.

3.3 MARKET RISK

3.3.1 Risks related to reliance on manufacturers of consoles and games platforms

The Gaming market is dominated by a small number of operators: three console manufacturers (Sony, Microsoft, Nintendo) and Steam (PC). New entrants and new games platforms are emerging and should change the relationships of reliance between market operators (see Section 5.4.1.3).

By way of illustration, the weighting of the Group's top console manufacturer customer (Sony) is as follows:
- 9.6% of revenue in 2018/19;
- 8.2% of revenue in 2019/20.

For games - risk of non-accreditation as a publisher for consoles

To become a publisher of video games on platforms developed by Microsoft (Xbox One, etc.), Sony (PS3, PS4, etc.) or Nintendo (3DS, Switch, etc.), a publisher has to be accredited through a Publishing Licence Agreement. This licence must be renewed upon every platform change.

Consequently, refusal, withdrawal or non-renewal of a licence would have a negative impact on the Group's business and earnings. That said, it is unusual for a licence to be withdrawn from the publisher once granted.

For accessories – risk related to closed console systems

The latest generations of consoles (Sony PlayStation® 4 and Microsoft Xbox One) introduced closed systems, which put a brake on the development of third-party controllers when they were released in 2014. Without specific agreement from the console manufacturers, the platforms blocked third-party controllers, which were not recognised by and did not work with the console. By contrast, minor accessories such as cables and other external peripherals were not blocked.

So far, negotiations of specific licences on a case-by-case basis with console manufacturers have enabled the Group to limit this risk:

- Thus in 2015, the Group negotiated a specific licence with Sony for its PlayStation® 3, which led to significant tangible sales of dedicated products in financial year 2015/16;

- following the success of its controller for PC pro gamers and the quality of its NACON® brand products, at the end of 2016 the Group entered into an agreement with Sony to develop and sell the Revolution Pro Controller under licence for PlayStation® 4 in the premium segment (see Section 5.1.2.2). This agreement was the foundation of its partnership with Sony, and other controllers and PlayStation® 4 licensed products followed, right up the very latest wired controller, Revolution Pro Controller 3 for PlayStation® 4 released in October 2019.

Should the new generation consoles also have closed systems, NACON, which has leading-edge technology for its controllers, would have an advantage over its competitors in terms of renegotiating partnership agreements (see also risk 3.5.2 "Licensing risks").

However, the Company cannot guarantee that all future generations of consoles (PS5, etc.) will have closed systems and does not have any information about whether or not the console manufacturers intend to open up their systems to third-party accessory developers.

For games and accessories - risk of additional costs generated by the release of new generation consoles

The release of 9th generation consoles (PS5, Xbox Series X, etc.) by the end of 2020 is likely to generate additional costs but the Company believes they are manageable.

For games, as is the case each time a new generation of consoles is released, the Company expects to have to upgrade its engines developed in-house (for example, the KT engine used for WRC). However, the Company should not have to bear any cost for using independent technology (for example, the Unreal engine, which represents a variable cost directly related to game sales).

On the other hand, the revenue generated by those games could be higher as they can be sold on two platforms at the same time (PS4 and PS5 for example) given the backward compatibility expected between the two generations of console (PS4 must operate on PS5 but not the reverse).

The Company believes that the costs arising from this change will be lower than the additional revenue obtained from game sales.

As regards accessories, the release of new consoles is only expected to generate minor additional R&D costs (very similar to those incurred when new controllers are developed).

<u>For games and accessories – Risk of non-compliance with console and platform manufacturers' technical requirements</u>

If the Company were unable to meet the technical constraints imposed by console or platform manufacturers, this would have a negative effect on its growth outlook, financial position, earnings and development.

For Games

The Company develops games for leading global console manufacturers Sony, Microsoft and Nintendo, as well as for various platforms (Steam, Epic, etc.). A rigorous process takes the proposed game through various key stages. First, the Publishing team submits the project to the console manufacturer or platform. The console manufacturer or platform, having approved the game concept, ensures that it complies with its specifications. The main risk for NACON lies in any potential changes or additions required by the console manufacturer or platform, which could hold up production of the game or even delay its release, with a potential negative impact on the Company's earnings.

To mitigate the risks of non-compliance with the technical requirements of console manufacturers or platforms, the Company pays heightened attention to the following points:
- its quality control department ensures that all the technical constraints in the console manufacturer's generic specifications are observed throughout the development process;
- it systematically calls on debugging companies that specialise in the pre-certification phases.

For Accessories

Under its partnerships with the console manufacturers (and in particular Sony), the relevant accessory is subject to a rigorous testing process before obtaining the console manufacturer's approval to market the product, or in Sony's case, to sell the product as officially licensed by Sony.

To mitigate the risks of non-compliance with the technical requirements of console manufacturers, the Company pays heightened attention to the following points:
- it proposes very advanced projects during the concept approval phase;
- throughout the development process, it complies scrupulously with the precise specifications drawn up by the console manufacturer and tests a number of prototypes before submitting one to the console manufacturer;
- it prepares a detailed licensing agreement for each region before the marketing phase.

<u>Materiality of this risk</u>

The Company assesses the materiality of this net risk as "average", based on the following analysis:

The probability of occurrence is assessed as "average" for both accessories and games:
- for games: the current trend towards cloud gaming and the creation of new platforms (Epic Games Store, EA Origin, Google Stadia, Xbox Gamepass, PS Plus, etc.), which represent more potential customers, as well as the strong focus on games content rather than the selling medium, should in the future reduce the probability of occurrence of the risk of reliance on console manufacturers to "low";
- while for accessories, the console manufacturers' influential power and the threat of new closed systems to which the Company would not have access remain real risks, keeping the probability of occurrence at "average".

The magnitude of the risk is assessed as "average":
- the negative impact of this risk in current market circumstances (impact on the Company's revenue and profitability) could therefore be assessed, in light of its net earnings, as
  - "low" for games that are published on many rival platforms; and

- "high" for accessories, whose revenue stream and profitability depend largely on the current relationship with console manufacturer Sony.

3.3.2 Risks related to the competitive environment

The video game and console accessory markets are highly competitive and competition could become even more intense. The Gaming market is evolving rapidly and the Group is faced with competition from various operators. The success of the Company's games could be affected by the performance of rival publishers' games.

Furthermore, it is always possible that the Group's competitors will develop accessories with technological or artistic innovations that could influence the habits of gamers who, highly sensitive to the functionality of gaming accessories as well as game quality and content, could turn away from the Company's games and accessories.

The occurrence of one or more of these possibilities could reduce the Group's market share and have an adverse effect on its business, financial position, development, earnings and outlook. Heightened competition could also force the Group to increase its investment expenditure/development costs in order to market its own games or accessories.

The Company nonetheless believes that it can preserve and even gain market shares through various actions, including:

- keeping close to gamers (community managers, attendance at trade fairs and events dedicated to interactive leisure pursuits, etc.) in order to anticipate community trends and expectations;
- seeking to increase its product listing in the large retail chains, either directly in its countries of operation or through local distributors (accessories).

The Company assesses the materiality of this net risk as "average", based on the following analysis:

- there are few operators in the gaming market and the probability of occurrence is therefore broadly "low":
  - for NACON Accessories, which are based on leading-edge, duly patented technologies, the probability of occurrence is assessed as "low";
  - for Games: the AA market is made up of niches usually addressed by a single operator at a time, given the revenue potential. If a competitor were to develop a game with a similar theme to a NACON game and market it before NACON, this would reduce NACON's revenue. This has happened in the past, though very rarely, and the probability of occurrence is therefore also assessed as "low";
- however, were it to occur, this risk would have a "high" negative impact (on the Company's revenue and profitability), as consumers would only buy one of the games that are similar.

3.4 RISKS RELATED TO THE COMPANY'S ORGANISATION

3.4.1 Risks related to attracting and retaining key personnel

If the Company were unable to retain its senior management team or other key personnel or to hire new talent, it could be unable to sustain its growth or achieve its commercial targets.

Risks related to seeking and retaining talent

The video games market is highly competitive and good developers are scarce and highly sought after. NACON's success is thus highly reliant on its people, its expertise and the involvement of certain key employees.

The skills required to create video games go beyond coding: they are very recent skills and are evolving rapidly in line with new technology. New types of jobs have emerged in the last ten years (e.g. game designer, sound designer, producer, etc.) making it all the more difficult to recruit people for these jobs as they are little known. Few schools in the world currently offer training in these jobs and not enough people are qualifying to meet demand in the market, with young graduates often preferring to join large, better known development studios at the expense of the smaller ones. To continue its growth, the Company will need to recruit new first-class employees with a strong degree of involvement. NACON is faced with strong competition in France and abroad for hiring, retaining and offering career prospects to highly qualified technical people. Given this intense competition, the Company may be unable to attract or retain these key staff members on financially acceptable terms.

If NACON is unable to attract and retain key personnel, this could prevent the Company from achieving its objectives and could therefore have a material adverse effect on its business, financial position, earnings and development prospects.

Furthermore, should key employees join a competitor, the Group could lose some of its know-how and the risk of losing customers would increase. Such circumstances could have an adverse effect on the Group's business, financial position, earnings and outlook. However, the Group considers that some tasks performed by key employees could be taken over by other employees after a period of training and transition.

NACON therefore has an active human resources policy in terms of recruitment, training and retaining its best people and in terms of identifying new talent through the following initiatives:

- actively seeking experienced people through professional databases and networking;
- regularly taking on interns from the best schools and universities (engineers, video games, 3D, etc.);
- employee empowerment and autonomy;
- an attractive compensation policy, where necessary retaining key people through free shares awards with a continuing presence condition;
- pleasant, friendly workplace, personalised decoration by employees, numerous team building events to involve people in joint projects, meals, festive events, trips abroad to international trade fairs, scouting trips, etc.

Staff turnover in studios within one year of their acquisition by the Group is therefore low. Turnover for all NACON's acquired studios is estimated at about 10%, which is below sector averages (between 20% and 25% according to the Company).

As explained in Section 15.1, the studios (apart from Spiders and RaceWard) have also seen their headcount increase from 227 to 270 employees from 31 March 2019 to 31 March 2020, while the former Bigben scope has risen from 151 to 176 employees.

Risk related to acquisitions: integration of employees

Any external growth transaction involves employee integration risks. A dissatisfied employee could leave the company and take its know-how and experience to a competitor.

The risk is even greater for NACON as the Group's workforce at 31 March 2020 was about 26% made up of employees who were not with the Group before 31 March 2019 and about 70% who were not with the Group before 31 March 2018 and who are therefore likely to have less attachment to the Group.

NACON therefore has an innovative integration policy to avoid any shake-up that could potentially destabilise the workforce:

- the founding head of each studio continues to run it in the same way as before;
- each studio:
  - continues to be managed as an independent studio by the head office Publishing team;
  - retains its autonomy (financial and organisational);
  - becomes a creative force through twice monthly Publishing Committee meetings, which bring together the studio heads and the managers and other members of the Publishing team;
- thus there is no change in the day-to-day working lives of studio employees (same job, same workplace, etc.), other than reporting of group data to NACON by the financial team;
- employees of these studios, like those of the Group, receive free share awards to help retain them in the long term.

Risk of reliance on key Management Committee members

The Company's success depends in large part on the action and efforts of its Chairman and Chief Executive Officer Alain Falc, his management team and the heads of the development studios.

The loss of their skills and expertise could affect the Company's ability to achieve its objectives and implement its strategy, thus having a material adverse effect on its business, earnings, financial position, growth and outlook.

If the event of a long absence of these key people, the Company ensures that the current teams are able to continue the work in progress, mainly through in-house training of deputies. The Management team is therefore autonomous in terms of NACON's day-to-day management.

Overall materiality of the risk

The Company assesses the materiality of this net risk as "high", based on the following analysis:

- the probability of occurrence is assessed as "average" due to:
  - strong retention policies for employees and key people (see Sections 13 "Remuneration" and 15 "Employees"), in particular through free share awards (contingent, as applicable, on a continuing service condition and/or the achievement of various performance conditions);
  - low staff turnover in studios during the year after their acquisition;
  - the presence of Alain Falc as Chairman and CEO of NACON and the fact that he is a leading shareholder in Bigben Interactive means that he has a very strong involvement and vested interest in NACON;
- however, if the events described in this Section were to occur, this could prevent the Company from achieving its objectives and could have a material adverse impact on its revenue and profitability ("high" impact).

3.4.2 Risks related to the influence of parent company Bigben Interactive and its shareholders over the Company

The Company is the result of a spin-off of Bigben Interactive's Gaming division, whose business is the development, publishing, marketing and distribution of physical and digital video games, and the design, development, manufacture and wholesale distribution of gaming accessories.

At the URD's filing date, Bigben Interactive remains the majority shareholder after the initial public offering on the Euronext Paris regulated market with 76.67% of the share capital. Although the Company has established a governance structure which it considers to be compliant with the Middlenext Code (see Section 14 of the URD) and the two companies (Bigben Interactive and NACON) do not have any common executive officers (Chief Executive Officer and/or Chief Operating Officer), Bigben Interactive could have a decisive influence over most of the Group's strategic decisions, particularly those requiring shareholder approval (election and removal of members of the Board of Directors, dividend distributions, amendments to the articles of association, and decision to commit to major transactions for the Group, including acquisitions in France and abroad and new share issues).[3]

It should also be noted that Bigben Interactive's two main shareholders are the Bolloré Group (which owns 20.1% of the share capital and 17.7% of the gross voting rights of the company Bigben Interactive at 31 March 2020) and Alain Falc (who directly and indirectly owns about 13.2% of the share capital and 22.9% of the gross voting rights of the company Bigben Interactive at 31 March 2020). They thus exercise significant influence over Bigben Interactive and therefore over NACON, as they both sit on NACON's Board of Directors (Alain Falc is also Chairman and Chief Executive Officer of NACON).

However, the parent company Bigben Interactive's ownership structure has historically been very stable and Alain Falc will remain Chairman of the Board of Directors of Bigben Interactive, which suggests confidence in the management and strategy adopted by the Group, provided that they prove prudent, justifiable, appropriate to market opportunities and conditions and profitable.

Bigben Interactive also has a track record as a group that does not interfere in the management of its subsidiaries without good reason. Furthermore, the objectives of the Bigben Interactive group's intended general policy are to:

[3] Alain Falc and Laurent Honoret stood down from their office as, respectively, Chief Executive Officer and Chief Operating Officer of Bigben Interactive on 4 March 2020. However, Alain Falc remains Chairman of the Board of Directors of Bigben Interactive.

- optimise the potential of each of its entities while giving them maximum autonomy in day-to-day management;
- harness existing synergies and develop new ones.

The Company thus assesses the materiality of this net risk as "average", based on the following analysis:
- the probability of occurrence is assessed as "high" due to the fact that the main shareholders of Bigben Interactive feel involved in the Group's strategy and the Bolloré Group has two seats on NACON's Board of Directors;
- however, the ownership structure has remained stable for more than 10 years and the measures taken by Bigben's Board of Directors regarding the Gaming business have in the past led to increased profitability for the division and a corresponding rise in Bigben's share price;
- Bigben Interactive and NACON each have their own operational management team with no common executive officers;
- the occurrence of the events described in this Section could therefore only have a "low" negative impact on the Company (failure to achieve objectives, impact on revenue and profitability).

3.5 REGULATORY AND LEGAL RISKS

3.5.1 Risks related to the loss of certain tax incentives

Some of the Group's development studios benefit from the French tax credit on video games (*Crédit d'Impôt Jeu Vidéo français* – CIJV) or the Canadian equivalent. These tax credits are tax incentives allowing video game development companies to deduct a proportion of their development expenses for a game from their tax liability.

France:

First introduced in 2008, the French CIJV was increased significantly on 1 January 2017, through:
- an increase from 20% to 30% in the relief rate on the following production expenses:
    - depreciation or amortisation charges on assets created or acquired new (not including depreciation of properties);
    - salary paid to writers who contributed to creating the video game under an intellectual property rights assignment agreement, plus the associated social security contributions;
    - staff costs of the company's employees including the associated social security contributions and staff costs of the technical and administrative employees contributing to the development process;
    - other operating expenses (purchases of materials, supplies and equipment, rent for business premises and the associated maintenance and repair costs, travel expenses, technical documentation expenses and postal and email communication expenses);
- doubling of the maximum tax credit available to each company (from €3 to 6 million a year);
- increase in the cap on European sub-contracting costs included in the tax credit calculation from €1 to 2 million a year.

Canada:

Amusement Cyanide Inc., the studio based in Quebec (Canada), benefits from a similar tax credit known as the tax credit for multimedia titles (*Crédit d'impôt pour des titres multimédias* – CITM).

An eligible company that has an establishment in Quebec in the taxation year and holds a qualification certificate issued by *Investissement Québec* for the year may claim a tax credit, subject to conditions, with respect to eligible labour expenditures it has incurred and paid in eligible production work on multimedia titles.

The tax credit rate is 37.5% for a title available in a French version intended for distribution, 30% for a title not available in a French version intended for distribution and 26.25% for all other titles. As a general rule, Cyanide's Canadian subsidiary is eligible for the 37.5% rate.

These tax credits are a substantial source of funding for the Group's development studios. The Group's studios recorded tax credits totalling €3.0 million in the financial year ended 31 March 2020 compared with €1.5 at 31 March 2019 (prorated to the amount of time the studios were owned by the Group).

Although the Group's studios are used to applying to the tax authorities and obtaining approval, and despite the recent revaluation of the French CIJV, there is always a possibility that the tax authorities will change the method of determining eligible expenditures and thus the amount the studios will be able to claim. Likewise, although the scheme was extended in 2017, it is always possible that a change of legislation will reduce the future benefit of the CIJV or no longer enable the studios to claim it.

This would limit the financial resources of the Group's studios and game development costs would increase, which could force the studios to review the rate of release of their games and/or restrict the number of games they intend to develop.

The Company assesses the materiality of this net risk as "average", based on the following analysis:

- the French and Canadian governments have shown no inclination to decrease these tax incentives, which generate employment in the gaming market, thus reducing the probability of occurrence, at least in the short term, to "low";
- the negative impact of this risk (impact on profitability) could be assessed as "high" in light of its net earnings.

3.5.2 Risks related to intellectual and industrial property and licensing agreements

Industrial property risk

As regards industrial property, the Group's logos and trademarks are registered in France and some in Europe and/or the rest of the world. The Company has extended the protection of its flagship brand NACON and its other trademarks by registering the corresponding domain names. A specialist industrial property firm has been appointed to monitor the Company's trademarks.

Other than for its licensed games and accessories, for which NACON negotiates separate licence agreements, and for the few games distributed or co-published (*Sherlock Holmes*, *Sinking City*, *Bee Simulator*, *AO Tennis 2*), NACON holds the full intellectual property rights to its trademarks and games. Patents, trademarks and models are owned by NACON SA while licences are held by NACON (HK) Ltd.

The Company performs its own research and development and a part of its production. It has a design office in Hong Kong which is close to the manufacturing sites and can thus monitor the technological risk closely. NACON has many patents protecting its products (see Section 5.5.3.15.5.3.1

The Group's patents, trademarks, industrial secrets, know-how and other intellectual and industrial property are extremely important to its business operations (see Section 5.4 of this URD). Any infringement of these rights by third parties could have harmful consequences on its business and reputation. The Group relies on intellectual property law in various countries and on contractual agreements with its employees, customers, business partners and other parties to protect its rights in this area. Despite the precautions it takes, third parties may still infringe these rights. Furthermore, the Group cannot guarantee that the rights it has filed or registered, particularly its patents, effectively and comprehensively protect the products it sells. The Group may also be sued by third parties for infringement of their intellectual property rights. Any legal action against the Group relating to its intellectual property rights or those of third parties, regardless of the outcome, could lead to substantial costs and take up much of the management team's time at the expense of the Group's operational development, harm the Group's reputation and, therefore, affect its financial position.

Licensing risks

Over the past few years, the Group has signed some major licensing agreements with Sony for the development of accessories for PlayStation® 3 and PlayStation® 4. As described in risk 3.3.1. "Risk related to closed console systems", it should be pointed out that NACON is reliant to a certain, albeit limited, degree on licences granted by Sony and agreements between the two partners, a notable example being the Revolution controllers. The agreements between NACON and Sony are not exclusive. All developments and associated patents belong exclusively to NACON. The decision to work primarily with Sony was taken in light of the market configuration and the opportunities offered by a partnership between the two companies.

NACON will always keep a close watch on market trends and adapt its strategy accordingly. Loss of these Sony contracts would have a significant impact in the short- and medium-term. However, the Company believes that it could obtain a new licence agreement or distribute to other platforms, as the Revolution controller technology belongs to NACON and could therefore be proposed to other console manufacturers or digital distribution platforms if necessary. The Company cannot, however, guarantee that it would be able to sign a licence agreement with a company that offers the same revenue growth prospects as the agreements with Sony. Furthermore, it cannot guarantee that distribution through other platforms would give it the same visibility or generate the same revenue and profitability.

Group's revenue from sales of Sony accessories

- 2019/20: €30.2 million (57% of total Accessories revenue);
- 2018/19: €30.7 million (56% of total Accessories revenue);

However, the weighting of Sony accessories in the Group's total Accessories revenue will automatically fall in the future due to future sales of RIG™ headsets.

In the Publishing business, licence agreements are regularly entered into for acquiring rights to use video games matrices.

Lastly, NACON may enter into exclusive distribution agreements with certain games publishers, such as Square Enix (*Final Fantasy, Tomb Raider*, etc.) and Milestone (*MotoXGP*) for the distribution of the games they develop. Consequently, a part of the Group's business is reliant on the market release schedule of those publishers.

Furthermore, the licence has been signed for the next three years/game series until financial year 2022/23.

The Company considers that its reliance on business derived from licensing (whether for accessories or more broadly video games) remains relative and dispersed, as NACON believes that it is still relatively independent in developing and marketing its products.

<u>Risks related to the games</u>

Risk of piracy and copyright infringement

In some games, the Company creates imaginary worlds closely reflecting the real world, exposing it to the risk of copyright infringement allegations.

The Company has taken measures to review its games using protocols it believes appropriate for its industry in order to limit copyright infringement risks.

Secondly, the Company's games could be pirated, that is copied or downloaded illegally without payment.

Distribution platforms such as Steam (PC), Playstation Network (PS3, PS4…), Xbox Live (Xbox One, etc.) and Epic require users to log in to benefit from the tools proposed, exchanges and discussions with other gamers through text or voice messages, trophy and avatar display, capture and sharing tools and social media connections. These log-in and ID requirements limit the risk of piracy.

Lastly, NACON's games may be copied by other parties. Like any design company, NACON is vulnerable to copyright infringement (graphic elements or original scenarios, for example). NACON has taken measures to monitor the French and international market and may sue for copyright infringement or unfair competition to protect its rights and obtain cease and desist orders.

Lastly, a Company employee could copy a competitor's game idea, in which case the Company could be held liable for copyright infringement. An action against the Company for such infringement could have an adverse impact on its business, earnings, financial position and outlook.

The Company assesses the materiality of this net risk as "average", based on the following analysis:

- it has a legal department specialising in intellectual property as well as in-house R&D teams; it calls on outside expert firms in the field which continuously monitor the market to make sure that the Group's products, trademarks and logos are not unlawfully copied and that they meet the specifications of the licensors, thus reducing the probability of occurrence to "average";

- the occurrence of the events described in this Section could therefore only have a moderate impact on the Company, bearing in mind that widescale copyright infringement would lead to an immediate fall in revenue which would instantly attract suspicion (failure to achieve objectives, impact on revenue and profitability).

3.5.3 Risks related to legal and administrative proceedings

In the normal course of its business, the Company may be involved in legal, administrative, criminal or arbitration proceedings, particularly as regards competition and intellectual or industrial property. The most significant action pending that could have an impact on the Company is described in Section 18.6 of the URD. At 31 March 2020, litigation provisions totalled €530,000 (see Note 14 to the consolidated financial statements for 2019/20 in Section 18.1.6 of the URD and Note 13 to the statutory financial statements for 2019/20 in Section 18.1.1 of the URD).

It is always possible that in the future new proceedings, whether or not connected to ongoing ones, related to the risks identified by the Group or related to new risks could be taken against one of the Group's entities. If those proceedings were to have an adverse outcome for the Group, this could have a material negative impact on its business, financial position, earnings and outlook.

The Company assesses the materiality of this net risk as "average", based on the following analysis:

- it only has business relationships with partners recognised in the market as 'reliable' and its legal department takes great care when drafting contracts to ensure that the contractual provisions protect the company's interests as far as possible, thus reducing the probability of occurrence of this risk to "average";
- but the occurrence of the events described in this Section could have a material impact on the Company (failure to achieve objectives, impact on revenue and profitability).

3.5.4 Risks related to personal data processing - General Data Protection Regulation (GDPR)

The Company considers that it complies with the main provisions of Regulation (EU) 2016/679 of 27 April 2016 ("GDPR") and has called on an external consultant for support in this area. GDPR risks are limited because the Company does not collect sensitive personal data within the meaning of GDPR in its online canvassing activity or its sales to third party platforms. All data collected are identified, with a timeframe for erasure and an associated lawful purpose.

If the Company breaches any regulations applicable to it, or is unable to adapt to the possible adoption of tougher or more restrictive regulations, this could expose the Company to various types of adverse outcomes: financial, civil, criminal or administrative penalties that could go as far as the temporary or definitive closure of the production site.

The occurrence of one or more of these risks would adversely affect the Company's business activities, earnings, financial position and development prospects.

The Company assesses the materiality of this net risk as "low", as it is not especially affected by the GDPR. However, the Company will remain vigilant and may raise the risk level to "average" should its distribution methods change significantly.

3.6 NON-FINANCIAL RISKS

In accordance with Articles L. 225-102-1, R. 225-105 and R. 225-105.1 of the French Commercial Code, the Group has prepared a non-financial statement (NFS) in which it has reviewed its main non-financial risks based on an analysis of their existing materiality, their relevance and the severity of the issues involved in line with the analysis of financial risks.

These risks were identified, assessed and approached using the same methodology used above for operational, legal and financial risks.

In accordance with recital 54 of the Prospectus Regulation, the only risk presented in the NFS considered to be specific to the issuer and material in terms of taking investment decisions within the meaning of the Prospectus Regulation (see AMF position-recommendation 2020-06) is described in Section 3.6.1. below.

The following risks presented in the NFS have not been included in this Section but in Section 5.7.4:
See Section 5.7.4. and the Sections duly referred to for further explanations about these risks

Non-financial risk included in the risk factors analysed above

- Human capital development: departure of talent, management of unsuitable skills and human resources (see Section 3.4.1.)

Low materiality non-financial risks

- Quality of life in the workplace: discrimination, deterioration of employee rights, working conditions, health and safety
- Energy management: over-consumption
- Resources and waste management: high waste production, wastage, failure to factor in the life cycle of resources and raw materials used
- Environmental impacts: high greenhouse gas emissions
- Management of suppliers and service providers: non-compliance with responsible purchasing policies

3.6.1 Employee-related risks:

3.6.1.1 Health and safety of employees and third parties in the workplace:

This risk covers a potentially unsuitable working environment, a deterioration in well-being in the workplace or health and safety conditions that could lead to occupational accidents or illnesses.

The health and safety of its employees and partners is a core focus for the Group.

The measures described in Section 5.7.4 have been implemented to further improve the working environment and health of employees.

Overall materiality of the risk

Following the emergence of Covid-19, this risk has been upgraded by Management from "low" to "high".

Although many measures described in Section 5.7.4 have been taken to stop the spread of the virus among employees (working from home, social distancing, providing employees with masks, hand sanitiser, gloves, etc. upon their return to the workplace after lockdown), the probability of occurrence and the impact of such a risk occurring remain "high".

3.7 INSURANCE AND RISK COVERAGE

The Group has insurance policies covering all the general risks inherent in its business operations. It has an 'all-risks' property damage policy including business interruption, insurance for its car fleet and third-party liability insurance covering bodily harm, physical damage and consequential loss. NACON has a Group Master Policy for business and product liability covering the Company and its distribution subsidiaries, in addition to the local policies taken out by each entity. The likely risks have been objectively assessed and appropriately insured.

The Group does not have freight insurance other than for shipments of high unit value goods. However, it selects its freight partners carefully in order to limit the risks.

As regards directors' and officers' liability, NACON's policy covers all of its subsidiaries whether French or foreign. The Group's main regular customers are major European retailers whose solvency is proven, and this limits credit risk for the Group. Other customers, including all export customers, are covered by credit insurance where the Group has exposure.

The Group considers that the nature of the risks covered by its insurance is in line with industry practices and that, to the Company's knowledge, there are no significant exclusions in its policies.

4. INFORMATION ABOUT THE COMPANY

4.1 CORPORATE NAME OF THE ISSUER

The Company's corporate name is NACON.

Its trading names are NACON and Games.fr.

4.2 PLACE OF REGISTRATION AND REGISTRATION NUMBER

The Company was originally a French *société par actions simplifiée* registered with the Lille Métropole Commercial Court on 18 July 2019. It became a French *société anonyme à conseil d'administration* by virtue of a resolution passed at the shareholders' meeting on 22 January 2020.

It is registered with the Lille Métropole trade and companies register under number 852 538 461.

Its legal entity identifier (LEI) is 969500A4R8HLXMZQDT80.

4.3 DATE AND TERM OF INCORPORATION

The Company is incorporated for a term of 99 years as of the date of registration, unless wound up early or extended by extraordinary resolution of the shareholders passed in accordance with the law and the Company's articles of association.

4.4 REGISTERED OFFICE, LEGAL FORM, LEGISLATION GOVERNING THE BUSINESS

The Company is a *société anonyme à conseil d'administration* governed by French law and in respect of its operating activities is mainly subject to articles L.225-1 *et seq*. of the French Commercial Code.

Its registered office is at 396/466, Rue de la Voyette, CRT 2, 59273 Fretin, France.

Its contact details are as follows:

Telephone: +33 (0)3 20 90 72 00
Address: 396/466, Rue de la Voyette, CRT 2, 59273 Fretin, France.

Website: www.nacongaming.com. The information on the website does not form part of this URD.

5. BUSINESS OVERVIEW

5.1 MAIN ACTIVITIES

5.1.1 General presentation

5.1.1.1 Background

While the Group was only created on 31 October 2019 through a spin-off of the Bigben Interactive group's Gaming division (see Section 5.3 for further information), it has a genuine track record of successfully operating as a division of the Bigben group. A short summary of Bigben's background is therefore useful to gain an understanding of how the NACON Group has grown and developed.

For greater clarity, the name NACON will be used to designate Bigben Interactive's former Gaming division except where duly stated otherwise in the historical sections.

<u>Overview of Bigben</u>

Bigben Interactive, based in Fretin-Lesquin, northern France, was created 38 years ago. It now has a workforce of almost 650 employees. It was initially a distributor of electronic goods and audio products before diversifying into multimedia and video games.

In 1981, Alain Falc launched a business in the design, sub-contracted manufacturing and distribution of electronic goods. He very quickly anticipated technological advances in the booming video games market. At the end of 1990s, the group began to expand internationally with the acquisition of several distribution companies (United Kingdom, Benelux) and the creation of a subsidiary in Germany and a design office in Hong-Kong. Expansion continued in 2013 and 2014 with the creation of subsidiaries in Spain and Italy. Thanks to this strategy, the group became a leading French player in the market for third-party console accessories (i.e. not made by console manufacturers) in the early 2000s, later becoming a European leader.[4]

Bigben Interactive was floated on the Paris stock exchange in October 1999 to raise funding for its international expansion.

From the 2000s, Bigben Interactive continued its diversification strategy by adding video games distribution and publishing to its business activities, giving it a solid position with the big players in this market. In 2011, Bigben Interactive acquired Paris-based company ModeLabs, which specialised in smartphone accessories (covers, travel cases, etc.).

Significant events in the Bigben Group's development

These major stages in the Bigben Group's develop illustrate its ability to adapt to changes in its markets, and in particular the emergence of new technologies. Initially a medium-sized operator in its markets, its proactive approach, flexibility and vision have been key success factors in its growth strategy (see Section 5.4. "Strategy" of this URD).

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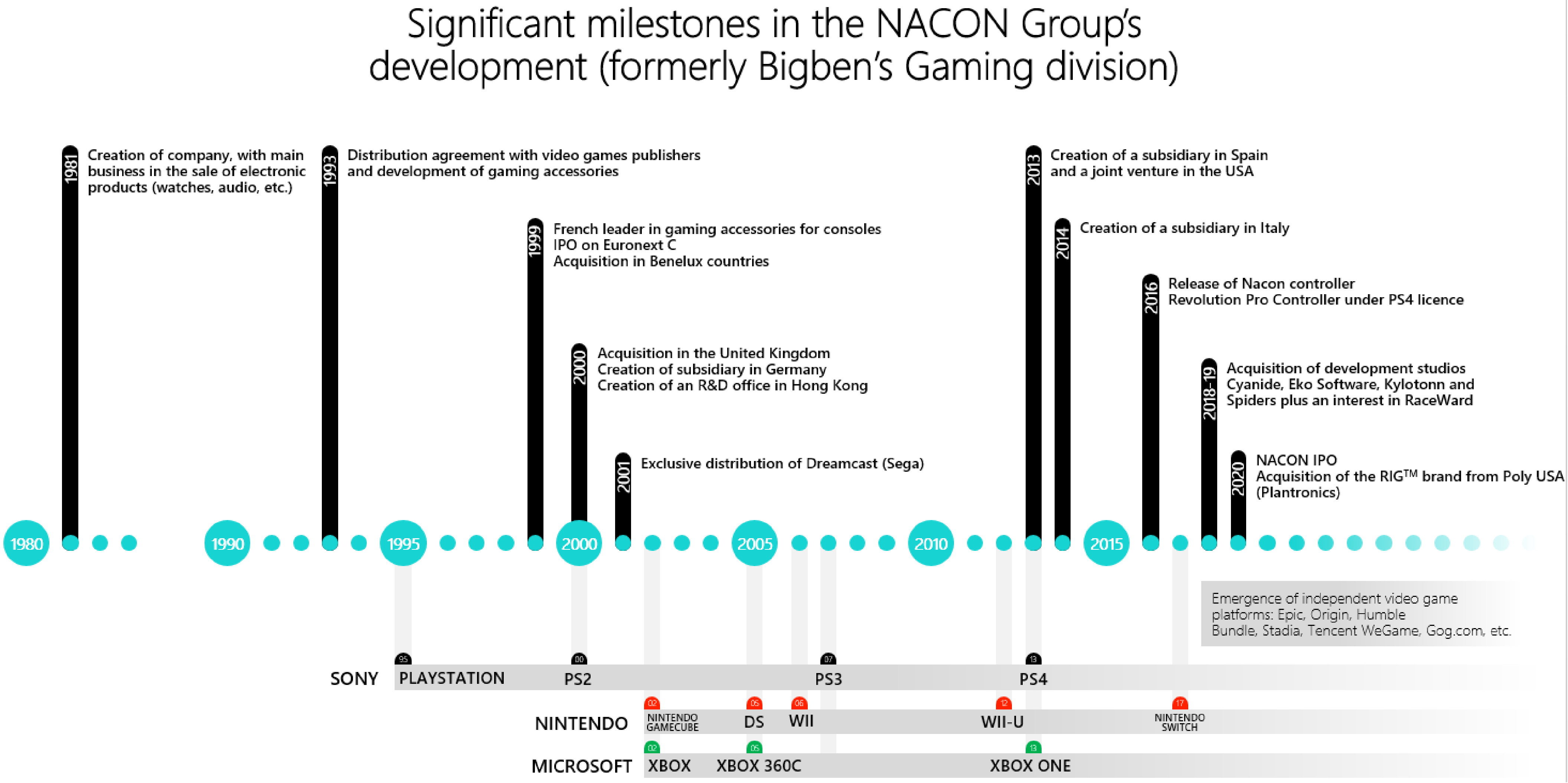
[4] Source: Company.

The diagram below shows the main events in the NACON group's development:



Spin-off of business from Bigben to NACON

Fact: a complex group structure

The Bigben group initially had three business segments: Gaming, Mobile and Audio. Although there were many synergies between them, this structure was not clear enough to investors in terms of financial communication. Bigben therefore decided to reorganise its business activities by spinning off its Gaming division comprising Accessories and Video Games to a new company called NACON, the name of its main gaming accessory brand. The spin-off was finalised on 31 October 2019 after having been approved by Bigben Interactive shareholders.

Benefits of the spin-off

Clear synergies:

- same market for gaming accessories and video games;
- many synergies between Audio and Mobile as mobile operators also sell a lot of audio products.

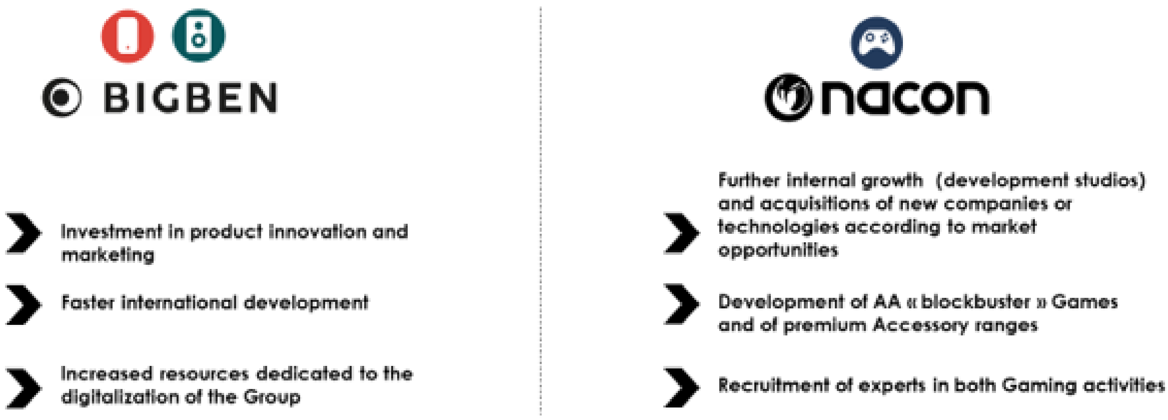
Clarification of organisation structure and business for clearer financial communication and value creation.

The main objectives of the reorganisation were to:

- make the two sub-groups, Gaming (NACON) and Audio/Telco (Bigben Interactive), autonomous;
- raise funds to step up their organic and external growth.

Two groups each with their own growth opportunities

The spin-off will enable the two groups to develop under optimum conditions.



5.1.1.2 Group structure

The NACON Group now addresses the gaming (video games) market as:

- a developer and publisher of video games; and
- a designer of gaming accessories.

The video games segment comprises:

- development of video games in the Group's development studios, which will work exclusively with NACON; and
- publishing of video games developed either in-house (with the Group's own studios referred to above) or externally (by third-party developers).

The accessories segment comprises:

- design and development of gaming accessories; and
- distribution of the accessories.

5.1.1.2.1 Video games development and publishing

5.1.1.2.1.1 Development

<u>Introduction</u>

The Group initially developed the video games Publishing business by outsourcing to external development studios but its approach changed in 2017 after its acquisition of interests in five studios within two years.

NACON now has its own development studios:

- four French studios, all wholly owned:
  - Cyanide SAS
  - Eko Software SAS
  - Kylotonn SAS
  - Spiders SAS

- one Italian studio based in Milan, in which it owns a 43.15% interest; the founder has granted NACON a call option on an additional 10% of the capital exercisable at any time before 31 July 2021:
  - RaceWard Studio (Lunar Great Wall Studios S.r.l.)

By integrating NACON's Gaming business, the Company believes that each studio can capitalise on the sales and marketing capability of a recognised publisher to increase the reach of its games and benefit from the general emulation effect of belonging to a group of talented studios.

<u>Description of the studios</u>

Each of the Group's studios has its own expertise:

- *Cyanide - Acquired in June 2018*

Cyanide was founded in 2000 by experienced video game professionals. It is a major French studio, renowned for its ability to develop innovative games across many genres (strategy, narrative, shooter, management, sport, action and adventure), as well as for the quality of its productions. The studio is based in France (Paris and Bordeaux) and Canada (Montreal) and has some 142 employees.

Since it was founded, Cyanide has produced around 50 games, and has maintained a balance between creating new intellectual property (*Pro Cycling Manager*, *Styx*, *The Council*, etc.) and producing games under licence (*Game of Thrones*®, *Blood Bowl*®, *Tour de France*®, etc.). It games are playable on all market platforms (PC, Xbox One, PS4, Switch and smartphone) and use different technologies (Unity, Unreal and a proprietary technology).

- *Eko Software - Acquired in October 2018*

Founded in 1999 by Jules-Benjamin Lalisse among others, Eko Software is a well-known French studio that has developed around 30 games, including the acclaimed How to survive 1 and 2 , which between them have sold several million copies and have become a benchmark for Action/RPG[5] game enthusiasts. The studio is based in France (Paris) and has some 30 employees.

Eko Software and NACON have had a successful working relationship for many years. For example, Eko Software produced *Rugby 18*, *Handball 16* and *Handball 17* and the highly popular *Warhammer: Chaosbane*, which won the "Best fun multi-player game" award from Jeuxvideo.com at the Gamescom 2019 trade fair.

- *Kylotonn (KT Racing) – Initial interest acquired in July 2017, wholly owned since October 2018*

[5] Action/RPG: role playing game incorporating some aspects of an action game.

Founded in 2002 in Paris, Kylotonn has developed more than 25 games and over the past few years has specialised in the racing segment, including the iconic *WRC*, *TT Isle of Man* and *V-Rally 4*, published by NACON. The studio now has 98 developers in Paris and Lyon. It uses the proprietary multi-platform KT engine to develop its games for PS4, Xbox One, PC and Switch.

- *Spiders - Acquired in September 2019*

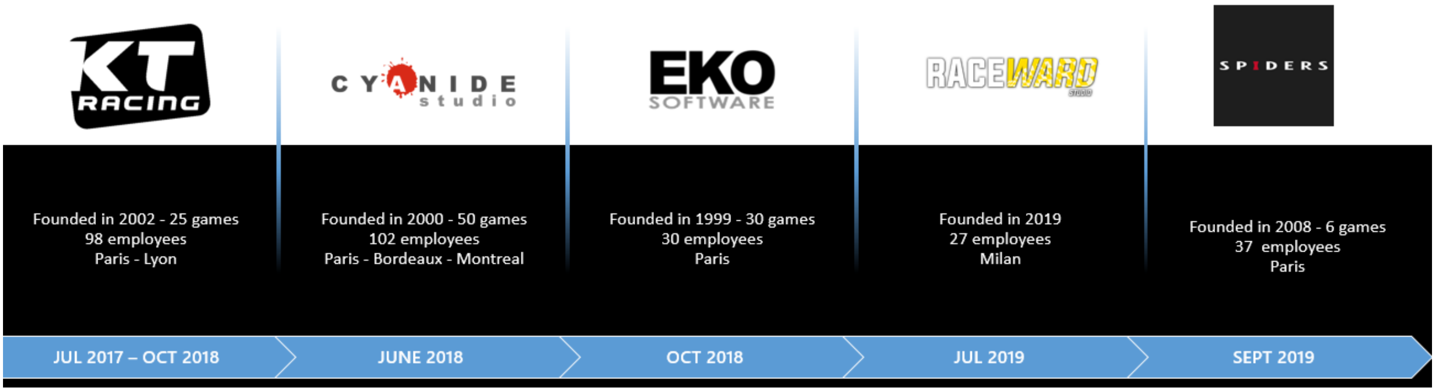
Spiders was founded in 2008 by former developers of *Monte Cristo*™ who worked together on the Silverfall™ game. It has specialised for several years in action and role-playing games, and has major expertise in home consoles. It has developed six multi-platform games, including the well-known *Mars: War Logs*™, set on planet Mars, *Bound by Flame*™, a mediaeval fantasy RPG[6] that has been a massive commercial hit, and *The Technomancer*™, a cyberpunk RPG.

The new, eagerly awaited *Greedfall*™ was released in September 2019. It has a unique visual identity inspired by the Baroque art of Europe in the 17th century and has already proved to be a hit.

The studio is based in Paris and has 37 employees. It uses its own game engine called Silk Engine, which features all the latest functionalities and technologies, enabling it to design games for all platforms, both PC and console.

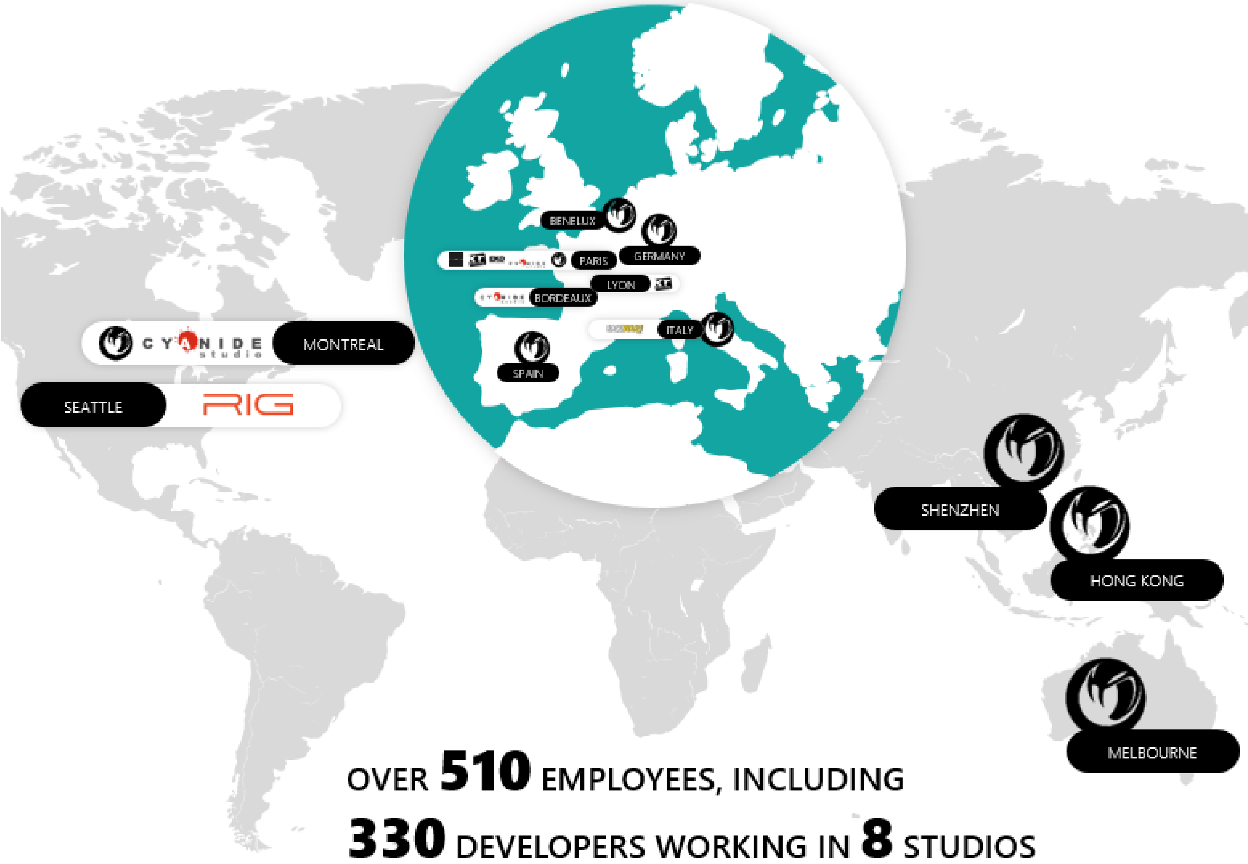
- *RaceWard – Interest acquired in September 2019*

RaceWard is based in Milan and its developers are mainly 'veterans' from Italian group Milestone. It stands out for its expertise in and passion for racing games, particularly motorcycle racing. RaceWard was founded barely a year ago and has 27 employees. It is growing rapidly and therefore expects to expand its team further.



NACON's Publishing division therefore has eight development studios (six in France, one in Canada and one in Italy) with a total of more than 330 developers, supported by a Publishing team of more than 40 people.

[6] Role-playing game.



<u>Benefits brought by the Development division</u>

Upstream positioning in the value chain

NACON's acquisition of five major video games development studios has added further expertise and strategic assets to its value chain, thus further strengthening the upstream activities in its Gaming business and creating value by offering the content so eagerly awaited in an ever evolving video games market (see Section 5.3 "Strategy and objectives").

5.1.1.2.1.2 Publishing

Video games publishers are often considered to be the intermediary between the development studio, the console manufacturers/digital distribution platforms and the market. The publisher is responsible for editorial policy, relationships with the console manufacturers, cost control, the marketing plan, selling the game and compliance with deadlines. The publisher's role is to take the studio's design and make a game tailored to the market, promoted, packaged, ready to be published and sold.

The process of creating and marketing a video game involving the Publishing function and expertise, whether developed in-house or outsourced, comprises several stages and requires cooperation between several different teams.

- **STAGE 1: Brainstorming**

A Publishing Committee, comprising the Head of Publishing and the main heads and key employees of the in-house studios, determines which games will be developed. These will then be included in NACON's line-up based on the expertise of the in-house or trusted external studios. When the in-house studios do not have the expertise required to develop a game concept, the Group calls on external studios that have the right capabilities.

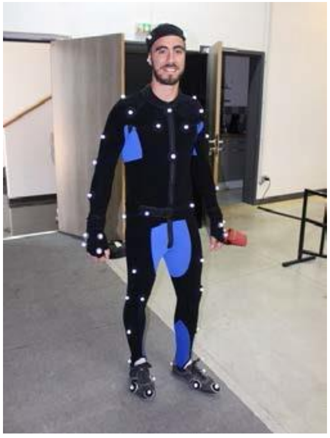
- **STAGE 2: Production Monitoring – Licensing**

Once the development project has been defined, the studios work very closely with the Publishing division's 'production monitoring' department throughout the production process. The Group has some 15 employees that monitor the production process and are in daily contact with their counterparts in the development studios. The production monitoring team is expected to expand in the future and comprises the following teams:

- Producers;
- Quality Assurance;
- Certification.

NACON's licensing team is also involved at this stage, negotiating licences (e.g. players, brands, cars, etc.) to be used in the games. NACON has acquired genuine expertise in this area over the last 20 years, which no other AA publisher can boast.[7]

For example, during the development of *Tennis World Tour*, the licensing team spent two years negotiating licences for 45 tennis players with their agents and arranging dubbing, photo and morphing sessions with these top tennis players around the world where they compete.



Control over the game production chain

A rigorous production process

NACON has developed a game production process with the studios it works with, comprising the following stages:

- PHASE 1 – Pre-design

  This purpose of this initial stage is to determine the project's editorial positioning. It ends with the production of a 'high concept' that sets out the broad outlines of the project (creative intentions, artistic direction, content, functionalities, technological risks, budget, production lead time, etc.)

- PHASE 2 – Validation of the project

  The high concept is then presented to the Publishing division, which may amend certain elements of the game concept.

  Validation of the development project is followed by a kick-off meeting, whose purpose is to:

  - determine the platforms on which the game will be sold;
  - decide on the language versions;
  - decide on whether to use licences;
  - select the studio and Publishing division's production monitoring team to be assigned to the project;

[7] See section 5.4.1.1.1.

- identify the software tools to be used for development;
- set the total budget, choice of sales supports, general time frame including main milestone dates to submit to the Publishing division's production monitoring department;
- approve the game concept.

- PHASE 3 – Design

  Once these decisions have been made, the editorial department initiates the game design phase in association with the development studio. This stage gives rise to the production of the following deliverables:
  - the first version of the Game Design Document, which contains the main characteristics of the game (technical architecture, story, design, animation, sound);
  - the first version of the production specifications for all skill areas involved in producing the game (design, game world, animation, cutscene, sound, production, etc.);
  - these deliverables are then submitted to the Publishing division's production monitoring team for approval.

- PHASE 4 – Pre-production

  Once the design has been approved, the project enters the pre-production stage, which is essential for defining the game's technical constraints.

  During the pre-production stage, a First Playable Prototype (FPP) is produced and delivered to the Publishing division's production monitoring team, comprising three key elements:
  - 5 to 10 minutes of a 'playable' version of the game;
  - basic characteristics of the game mechanics;
  - final version of the document summarising the game's artistic direction, mechanics and technical architecture.

- PHASE 5 – Production

  Once the FPP has been validated, production of the game begins, following a very rigorous process.

  The production phase lasts between one and three years depending on the scale of the project and is cut into contractually agreed stages of four to six weeks. At the end of each stage, a 'section' of the game is delivered to the Publishing division's production monitoring team and is the trigger for a milestone payment to the studio. This phase comes under the responsibility of the producer, who plays the role of project leader and thus guarantees the best possible quality of the game on both an artistic level and as regards the game mechanics and gameplay, while complying strictly with the specifications and constraints:
  - timetable management;
  - compliance with budget;
  - compliance with technical requirements.

In the studio, an executive producer manages the project development team on a day-to-day basis. The executive producer manages the various functions involved in the technical, artistic, design and animation departments to ensure that the project progresses on schedule and quickly address any problem that might lead to a delay in the timetable or a budget overrun.

The Quality department in the relevant studio validates the deliverable before submitting it to the Publishing division's production monitoring team and may ask the developers to make adjustments. After delivery to the Publishing division, the team then begins on the next deliverable, which includes any adjustments requested by the Publishing division.

The production phase of a video game comprises the following milestones:

- ALPHA: In the Alpha version, the game contains all the necessary data, the game mechanics and software components required for end-to-end testing of its functionalities.
- BETA: This final phase lasts one to three months and consists of eliminating any remaining bugs and then translating and localising the game for the markets determined in the Publishing division's marketing plan, in addition to English, which is the game's source language. This last stage is usually sub-contracted to translation agencies.

Test sessions by gamers external to the Company and the Publishing division's production monitoring team are organised at the end of the Beta stage in order to obtain initial feedback.

The pre-submission phase is the last step before the game's commercial release. It enables the Publishing division's production monitoring team to test the game on its own quality criteria, which can lead to final adjustments.

The presence and role of the Company's Quality team throughout the production process is one NACON's key features, and is decisive in ensuring the quality of the many deliverables to the Publishing division's production monitoring team.

- **STAGE 3: Sales and marketing**

In parallel with the development stages, the Publishing division is involved in other important functions.

MARKETING:

The marketing teams must be kept informed of progress in the development of a game so that they can predict the likely release date and draw up a full marketing plan. Marketing of video games is predominantly digital-based and requires expertise that is very hard to find as it did not even exist a few years ago.

The Group has some 30 marketing specialists and this number is expected to increase. They include:

- product managers;
- digital team and community managers;
- submissions manager;
- press relations manager;
- artists/graphic designers;
- video designers/game trailer developers.

The Publisher's role is to design the game release campaigns and create a buzz around the release of a title or each episode of a game, using online and offline marketing teams. For each game release, these teams are responsible for developing dedicated websites for each title, the game's graphic charter (visuals, packshots, etc.), teasers, press relations, media space buying and management of the community on social media. The Publisher's involvement continues throughout the product's commercial lifetime, with responsibility for after-sales, updates, social media and future promotions. As an example, by creating a buzz ahead of *Warhammer: Chaosbane*'s release, NACON generated a large volume of pre-orders.

SALES:

The sales teams become involved at the end of the production process. A game's success depends not only on its quality, which is often reflected in its Metacritric score and awards won from the specialist press or the gaming community, but also on the publisher's ability to distribute the product through all distribution channels worldwide.

- *NACON's strengths in the retail market*

For physical sales, which are mainly made through the large retail chains, the sales team must be able to oversee a production chain leading to timely physical delivery of the products in a global market.

Based on its past experience in the retail segment, particularly in video game production, distribution and promotion, NACON believes it has the strengths required to continue growing its Publishing sales. The Group has an extensive distribution network. With its agile teams able to work in short cycles, NACON believes it is capable of responding quickly to new market trends.

- *Opportunities offered by the boom in digital sales*

The Company believes that the explosive growth in digital sales of video games offers the Group attractive growth opportunities. Digital sales of video games, which already account for more than 50% of sales on Sony PlayStation 4 and Microsoft Xbox One,[8] imply immediate 24/7 availability for customers of all products published, included the oldest back catalogue titles, which are generally more available in physical retail stores.

Furthermore, the business model induced by digital distribution eliminates manufacturing and inventory costs while reducing the number of intermediaries, thus improving the publisher's margin. NACON's sales team therefore focuses its efforts on increasing digital sales.

The publisher's capability in digital sales is a decisive factor in obtaining better visibility among a panoply of competing products. NACON regularly organises commercial campaigns with Steam, Epic Store, PlayStation Store, Xbox Live and Nintendo eShop to promote its games in the online stores by offering flash price reductions on one or more titles. The Company believes that these campaigns drive sales of back catalogue titles over an increasingly long period.

<u>NACON's strength: a broad editorial positioning</u>

As a result its recent studio acquisitions, NACON now has a very broad editorial positioning:

- Cyanide develops games in some of the major genres such as cycling simulations, turn-based games, narrative RPGs[9] and action and stealth;
- Kylotonn Racing and RaceWard give NACON a robust position in car and motorcycle racing games;
- Eko Software has increased its presence in popular genres such as Action/RPG,[10] 'Hack'n Slash'[11] and team sports;
- Spiders enables NACON to cover the entire universe of RPG and action games.

5.1.1.2.2 Accessories

The Gaming Accessories business gives the Group a unique knowledge of the market as a whole. During the design and manufacturing stage, NACON takes into account the expectations of end consumers in terms of design (colour choice, the latest 'in' materials, etc.), ergonomics and environmental concerns, as well as the expectations of its distributors (packaging, etc.).

<u>Stages in the accessories process: from design to sale</u>

- **STAGE 1: Brainstorming**

The process begins with a full study and analysis of market trends, supported by an active technological and competitive intelligence system. As the gamer's experience is the main focus of the accessories business, NACON's development team makes a point of taking gamer feedback into account to develop new ever more innovative and high-performance products (resolving bugs in old products, performance improvements, choice of new components, integration of new technology, etc.).

[8] Source: Sony and Microsoft.
[9] RPG: role-playing game.
[10] Action/RPG: role playing game incorporating some aspects of an action game.
[11] Hack'n Slash: RPG involving battling against hordes of monsters.

Booming trend in eSport

As explained in Section 5.2.3.2, eSport involves professional competitive gaming either via LAN party or via Internet on console or PC.

A business in its own right, eSport is a massive trend in the gaming market. Amateur players can watch games played by their favourite champions, study their form and the equipment they use in order to improve their own techniques by using the same accessories.

NACON® accessories are capitalising on the explosive growth in eSport and the new trends in the gaming market. NACON® accessories use leading-edge technology, which is now essential for players competing in global eSport events where the financial stakes are very high. Consequently, as explained below, NACON draws on the contribution from expert gamers to develop its accessories.

In April/May 2020 during the Covid-19 lockdown period, eSport tournaments were organised based on games developed and published by NACON to replace physical tournaments. Some of them, such as the TWT Mutua Madrid Open, were hugely successful and attracted the participation of many tennis stars. These events bear witness to the marketing synergies between the Games and Accessories businesses.

<u>During lockdown: major eSport virtual tournaments replaced physical tournaments</u>

Genuine consideration of gamers' expectations

Throughout its development process, NACON obtains advice and opinions from the pro gamer community in order to design products that meet their expectations. Experienced gamers have therefore been approached for advice or even to work directly with the development team. Gamer feedback is systematically reviewed and taken into consideration. It has thus become usual practice to work hand in hand with the community of gamers targeted by the Company's products.

Celebrities from the video games world have not only become ambassadors for the Group's products but also contribute to their development:

#Ambassadeurs NACON

Kayane, TV presenter and multiple champion in combat games, currently competing in Soulcalibur VI.

- NACON ambassador since 2016, mainly as a consultant on the ***DAIJA Arcade Stick***

#Ambassadeurs NACON

Crimson, pro gamer in combat game Street Fighter V.

- Member of AS MONACO eSport club
- Currently **French no. 2** in Street Fighter V and **world no. 37**
- NACON ambassador since 2017 for **Revolution Pro Controller 2**, **Revolution Unlimited Pro Controller** and **Revolution Pro Controller 3**

This active contribution from the pro gaming community has enabled NACON to strengthen its expertise. For example, this was reflected in an average score of over 17/20[12] upon release of the Revolution Unlimited Pro Controller, the NACON® brand's flagship product.

- **STAGE 2: Development**

Once the development project has been defined, the development teams work very closely together throughout the development process. The Group works with leading partners in Asia for its manufacturing needs. NACON focuses on product research, design and production monitoring, as well as the related communication and marketing.

The Gaming Accessories business comprises:
- the Lesquin head office responsible for pure R&D, feasibility studies, concept and design; and
- the Hong Kong development team responsible for selecting manufacturing partners and for quality assurance.

Concept and Design

The boom in digital and eSport in the gaming market has spawned a highly demanding community of gamers. Designing products that meet consumer demand involves building prototypes of new models, for which NACON specialists at the Lesquin head office pay close attention to design, ergonomics and the choice of materials and components. NACON also endeavours to provide good value for money.

Through continuous technological intelligence and daily monitoring of sales, NACON can incorporate new technological options, user needs and the latest trends in design and ergonomics into its design process. Its accessories are designed to meet the expectations of global consumers by providing unique technical options for a truly immersive gaming experience. They also meet the needs of partners and distributors as regards packaging.

The head office teams design in-house the tooling required for mass production (injection moulds, cutting dies, etc.), in partnership with the Hong Kong team.

Leading-edge technology for high-quality accessories

[12] Source: Jeuxvideo.com article "*La Revolution Unlimited excelle*" with a score of 17/20, and Gameblog article "*La référence des pads PS4*".

In the past, gaming accessories were a mass market product. The commercial teams discussed prices and volumes with their customers rather than quality. The production philosophy was therefore to produce as much as possible at the lowest possible cost.

These days, mainly because of the boom in eSport, consumers look for quality first. In 2015/16, to meet the needs of this new community of eSport gamers looking for ever improving technology, NACON was the first to begin raising its quality standards and investing more in R&D. By seeking to provide pro gamers with excellence and ultra-performance, NACON positioned itself upstream in the value chain by integrating into its industrial development process specialities such as 3D design for analysing internal and external structures, applied electronics and algorithm design to optimise component performance.

The NACON® brand also built its reputation on the leading-edge technologies used in the development of its accessories. NACON® products therefore integrate a high concentration of R&D. The Group's R&D capability, which is strengthened by regular recruiting of new employees both in France and Hong Kong, has led to an increase in the number of registered patents (35 patents registered for the Revolution controller alone) and to an improvement in the technological functionality and quality of the products. Thanks to its investment in R&D, NACON now believes it is now several years ahead of the competition.

Mass production

NACON selects its partners on the basis of very strict criteria in terms of quality, control and industrial capacity. It works closely with them to continuously improve the manufacturing process.

The Hong Kong and Shenzen teams are thus responsible for:

- Selecting the manufacturing partners best able to understand a product's specific features and manufacture it according to NACON's specifications under the best conditions, while preserving the confidentiality of the product throughout the development process.
- Product quality assurance: when a blockbuster project is mass produced for the first time, the development and quality engineers and the project leaders are present to make sure that all the production stages approved by them are followed and observed throughout the manufacturing process. The manufacturers are required to comply strictly with NACON's specifications.
- Compliance with European and global regulations: NACON's quality engineers make sure that the Group's products comply with European and global regulations. Production plant audits and quality control inspections are performed regularly to ensure that NACON's products always meet the highest quality standards.

- **STAGE 3: Sales and marketing**

In parallel with the development stages, other functions also play an essential role.

MARKETING:

The Group's Publishing and Gaming Accessories divisions share their communication and marketing costs.

Marketing has also evolved with the advent of social media and has to keep as close as possible to the gaming community. Gamers are fed a continuous flow of information through all available physical and digital communication channels. The NACON® website regularly informs its newsletter subscribers about its new developments.

The Marketing department plays an essential role in NACON product launches:

- Designing communications and marketing campaigns to create a pre-launch product buzz;
- All communication phases, creating packaging, visuals, packshots and video teasers;
- Media space buying and developing dedicated web pages;
- Managing press relations and interfacing with the gaming community via social media.

NACON also invests in global eSport competitions. It has become one of the major sponsors of ESL competitions and intends to continue these partnerships, which are a valuable means of promoting its products by showcasing their technical excellence and their intensive use during competitive gaming.

SALES:

An accessory's success depends not only on its technical performance, which is often featured in the specialist press or the gaming community, but also on the publisher's ability to distribute the product through all distribution channels worldwide. The sales team must be able to oversee a product chain leading to timely physical delivery of the products in a global market.

NACON has almost 30 years' experience in the accessories market for third-party consoles (i.e. not made by console manufacturers) and has been a leading European player for 20 years. It has an extensive distribution network comprising subsidiaries in all the main European countries and exclusive distributors worldwide. With its agile, responsive teams able to work in short cycles, NACON can distribute its products rapidly across domestic, European and global markets.

5.1.1.3 Presentation of the Management Committee

5.1.1.3.1 Management Committee

The Group Management Committee is as follows:

5.1.1.3.2 A highly-experienced top management team

An experienced Management Committee:

Alain Falc, Chairman and Chief Executive Officer

Alain Falc, an engineering graduate (ISEN 1981), founded Bigben Interactive in 1981 when he finished his studies and rapidly acquired industrial and commercial know-how in watches and other promotional electronic products. In 1993, he moved into the budding video games sector. By 1999, when it was floated on the stock exchange, Bigben Interactive was one of the leading designers and manufacturers of accessories for third-party video games consoles (i.e. not made by the console manufacturers) in France. After its IPO, Bigben Interactive continued to expand internationally, with operations in Benelux, the United Kingdom, Germany, Hong Kong, Spain and Italy. Having gradually built up the video games publishing business over the following decade, in 2011 Alain Falc acquired the smartphone accessories design and distribution business of ModeLabs, the French leader in smartphone accessories, which became Bigben Connected in May 2013. He then took the Bigben Group in another strategic direction in 2018-2019 through the acquisition of interests in five development studios. In 2019, he successfully engineered the creation of NACON, the Bigben Group's integrated Gaming division.

Laurent Honoret, Chief Operating Officer

Laurent Honoret obtained a Master's degree in international trade from ISEG Lille in 1993 and began his career in town planning and European lobbying with local authorities and SMEs. In 1996 he moved into the multimedia sector and held sales and marketing positions (sector head, major account manager) with Virgin Interactive and then the Hachette Filipacchi Group. He joined Bigben Interactive at the end of 2000 as Major Accounts manager and became head of Sales and Marketing France in 2005 and then head of Group Sales and Marketing in 2008. He was Chief Operating Officer of Bigben Interactive until January 2020.

Benoît Clerc, Head of Publishing

Benoît Clerc has 30 years' experience in the games industry and has been head of Bigben Interactive's Publishing division for 12 years. He was involved in creating and developing the Publishing division, which has grown rapidly over the last few years, making Bigben one of the world leaders in the mid-publishing segment. Before becoming a publisher, he held positions as writer, chief editor and developer. He was also the founder and President of Game IN, the regional professional association, marketing and business lecturer at Rubika/SupInfoGame, director of SNJV, member of the Pictanovo jury and the CNC's video support fund (FAJV) commission, and Vice-President of the Lille French Tech responsible for exports. He holds a Master's degree from EDHEC and is a graduate of Stanford University's Innovation and Entrepreneurship programme.

Yannick Allaert, Head of Accessories

Yannick Allaert joined Bigben Interactive 35 years ago and has moved up through the ranks to become a member of the Management Committee. Throughout his career he has acquired many skills and held various positions in logistics, transport, inventory management, product development, marketing and communication, purchasing and international trade. He was thus responsible for opening up new markets and setting up the Group's Accessories division. At the beginning of the decade, in addition to his position as Head of Accessories, he became Chief Executive Officer of the Hong Kong subsidiary and now manages teams based in France, the UK, Hong Kong and China. Recognised as a genuine expert in the gaming accessories market, he is responsible for the partnership between Sony and NACON.

Anne Badot Janssen, Chief Financial Officer

Anne Badot Janssen obtained a Master's degree in accounting and auditing from IAE Valenciennes in 2001 and began her career in financial control with Verreries de Masnières, a manufacturer of perfume and cosmetics bottles. She joined the Bigben Interactive group in 2007 as financial controller and then took over responsibility for consolidation of the Bigben Interactive Group's financial statements.

Supported by the talented heads of the development studios:

Jehanne Rousseau, Chair of Spiders

Jehanne Rousseau began her career in the video games industry more than 20 years ago as a graphic designer and rapidly became project manager and writer for many platforms: Gameboy, Gameboy Color, Gameboy Advanced, Xbox, Mobiles and PC successively at RFX Interactive, Gameloft and Monte Cristo. Having created Spiders in 2008, she was both its manager and head of publishing and design for 11 years, during which time she created six original games including *Bound by Flame*, *The Technomancer* and very recently *Greedfall*. She is also an expert advisor to the CNC's Video Games and New Media commissions as well as the regional Ile de France commission, and regularly speaks at international conferences on video game design, narrative and studio management.

Jules-Benjamin Lalisse, Chairman of Eko Software

Jules-Benjamin Lalisse obtained a post-graduate diploma in information technology from the University of Rennes 1 in 1996, specialising in 3D graphics programming. He began his career in 1997 as a developer at PAM Development (studio that would become known mainly for the Top Spin franchise) before becoming head of Eko Software upon its creation in 1999. In 2003, he was one of the founders of Capital Games, a video games cluster in the greater Paris area, of which he remained a director until 2011. Then from 2014 to 2017, he was a member of the CNC's video games support fund (FAJV) commission. He has contributed to the design and production of more than 35 games on console and PC, including the well-known *How to Survive* series.

Patrick Pligersdorffer, Chairman of Cyanide SAS

Patrick Pligersdorffer holds an MBA from Purdue University and began his career as a financial analyst with an international bank. In 1997, he joined Ubisoft as a producer on *Pro Rally 2001* and then in 1998 opened Ubisoft's in-house development studio in Japan. He recruited artists, programmers and game designers for specific developments and negotiated the acquisition of Japanese licences which were then used in Ubisoft games. In February 2000 he left Ubisoft to found Cyanide, which he still heads today. In 20 years he has made Cyanide one of the most prolific French studios and has built a solid reputation based on major titles such as *Pro Cycling Manager* and *Blood Bowl*®.

Roman Vincent, Chairman of Kylotonn (KT Racing)

A graduate of the Ecole Nationale des Beaux-Arts, Roman Vincent began his career in 1994 as a 3D computer graphics designer. In 1997 he was one of the founders of the company 4X Technologies and became head of the 4X Studio video games development studio. In 2002 he created the production company RVP and the development studio Kylotonn, of which he is Chairman. An avid motor sports enthusiast, he led Kylotonn to specialise in car and motorcycle racing games under the KT Racing brand, which is known mainly for its most recent *WRC* and *V-Rally* series.

Marco Ponte, manager of Lunar Great Wall Studios (RaceWard)

Marco Ponte is the manager of RaceWard Studio, an Italian development studio which he founded to develop leading-edge racing games. Prior to that, he was an executive producer at Milestone where he acquired extensive experience in franchising successful racing games, notably *MotoGP* and *Ride*. Marco has thus spent more than 20 years in the video games industry, making a valuable contribution to the development of more than 25 titles for PC and console.

5.1.2 Presentation of the product offering

5.1.2.1 Video games

5.1.2.1.1 An extensive line-up

One of the largest global line-ups of AA video games

NACON currently has a line-up of more than 100 video games for console and PC. Its aim is to make its games as realistic as possible. NACON does this through a licensing strategy, signing over 200 licensing agreements a year to use the licensor's brands, models or avatars in its games.[13]

A balanced line-up

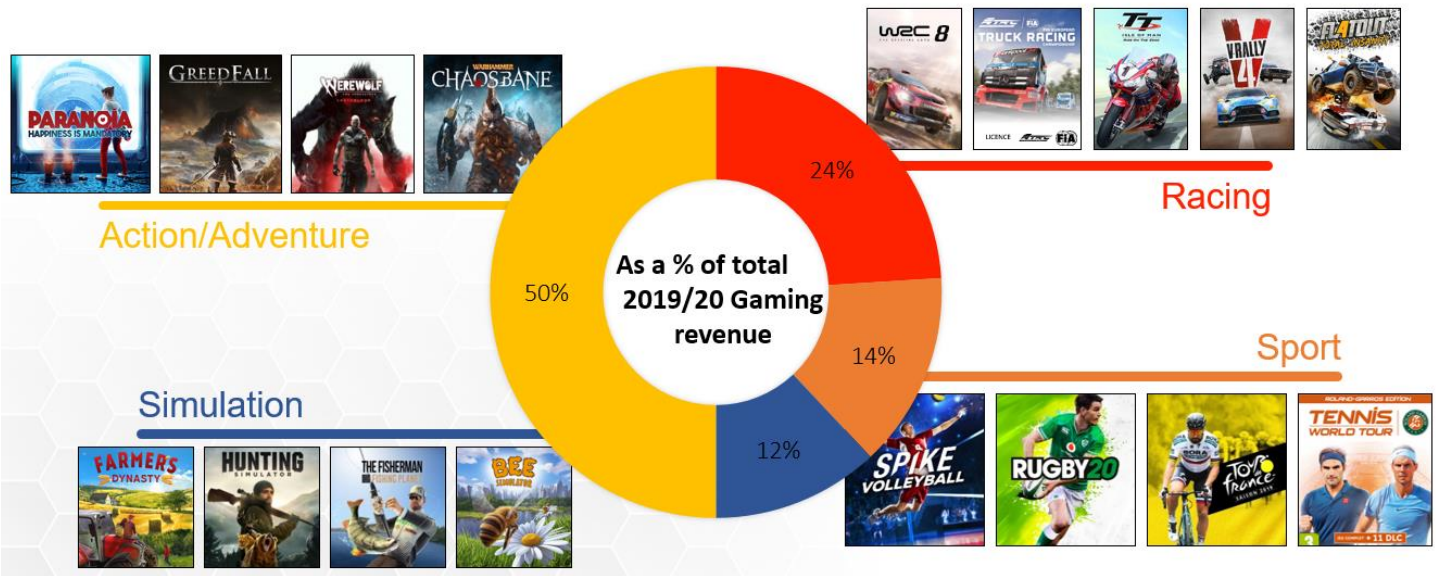
As explained in Section 5.3 "Strategy and objectives", NACON is a publisher and developer of AA games for console and PC. This market segment encompasses all games with sales volumes of between 200,000 and 3 million copies, which distinguishes it from the AAA segment, where budgets can be anywhere between €1 and 20 million. Confronted with the industry majors and AAA blockbusters released each year, NACON knows how to differentiate its products and focuses on a few neglected and therefore less competitive niches.

Supported by its studios, each one of which is an expert in its field, NACON proposes unique, high-quality, compelling projects that meet a specific demand from savvy, demanding gamers. NACON's objective is thus to provide the market with a different product offering that will appeal to a population considered to be niche by the industry majors, but which in reality encompasses several million gamers, thus ensuring the profitability of its games.

Creativity, expertise and differentiation are the watchwords for all of NACON's development projects. Its video games fall into four categories:

- Racing;
- Sports;
- Adventure;
- Simulation.

An extensive, well-balanced line-up



[13] See Sections 5.4.1.1.3 and 5.1.1.2.1.2.

Racing is a popular genre in the video game market (about 7% of the global market) and has a significant place in NACON's catalogue. KT Racing (trading name of Kylotonn, NACON's in-house studio), an expert in developing racing games, offers a rallycross simulation game under official WRC license. After continuous physical and technical improvements over the past few years, *WRC 8* was released this year and is now considered to be a benchmark in its segment. NACON and KT Racing's expertise also extends to motorcycle racing with the *TT Isle of Man*, the official game for this most prestigious of races.

NACON's racing catalogue has also been enhanced with some innovative new products such as *FIA Truck Racing Championship* and *Overpass* (offroad racing game), both supported by official licences. These two simulation games are realistic enough to satisfy the most demanding of racing fans and offer them new thrills.

Popular across all age groups, **sports games** are an essential item in a video games library. Some sports are not really addressed by the industry majors and NACON has been able to appropriate several disciplines for its games. Examples are rugby, cycling and tennis games developed by NACON studios, which have recognised expertise in those sports. They meet the expectations of millions of amateur sportsmen and women who were eagerly awaiting a video game of their favourite sport.

NACON innovates and offers new experiences in a universe limited only by imagination through its **simulation games**. By combining unique gameplay[14] mechanics and realistic content (universe and licences), NACON aims to provide an original experience that goes beyond what is typically available in the market. The latest example of this is a game called *Bee Simulator*. It is both an entertaining and educational game that invites the gamer to see the world through the eyes of a bee and discover its universe.

The last major genre offered by NACON is **Action/adventure**, an extremely popular genre. It is the most competitive segment of the market and the Company therefore endeavours to develop innovative, original content. NACON is able to obtain major licences for games that already have a strong following whilst at the same time proposing new concepts that will appeal to the community: the *Warhammer* universe, Lovecraftian game *The Sinking City*, *Werewolf* and *Paranoia* to name but just a few.

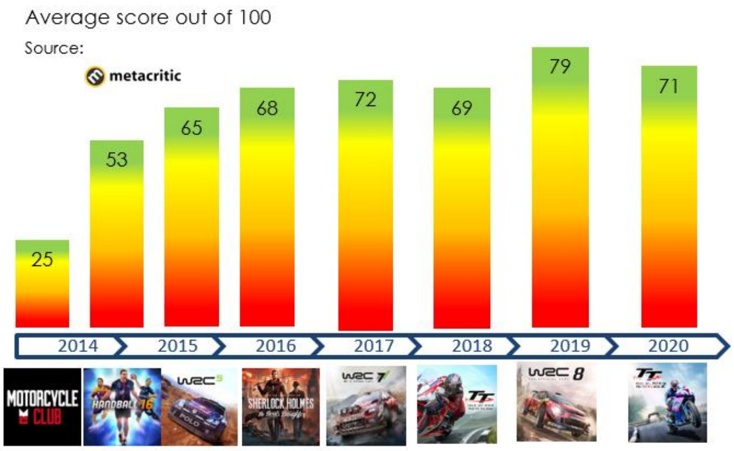
5.1.2.1.2 Ramp up of games published by NACON

Continuously improving games

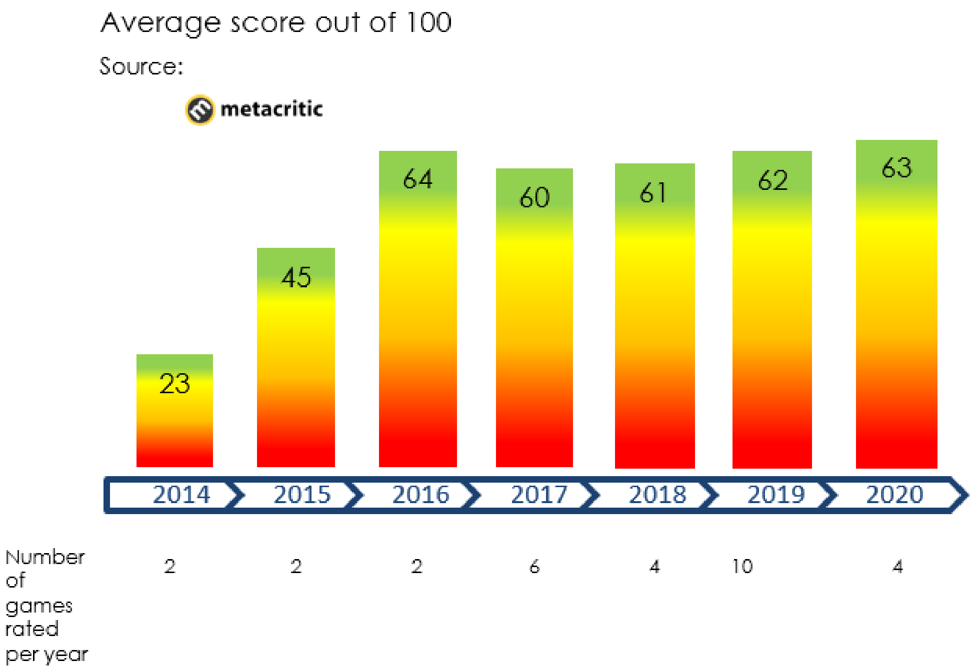
Gamer feedback on the quality of the games published by NACON has improved significantly, as reflected in the scores of each game as presented in the charts opposite and below.[15]

Individual scores of a few of NACON's flagship games

Average annual scores of all games released by NACON



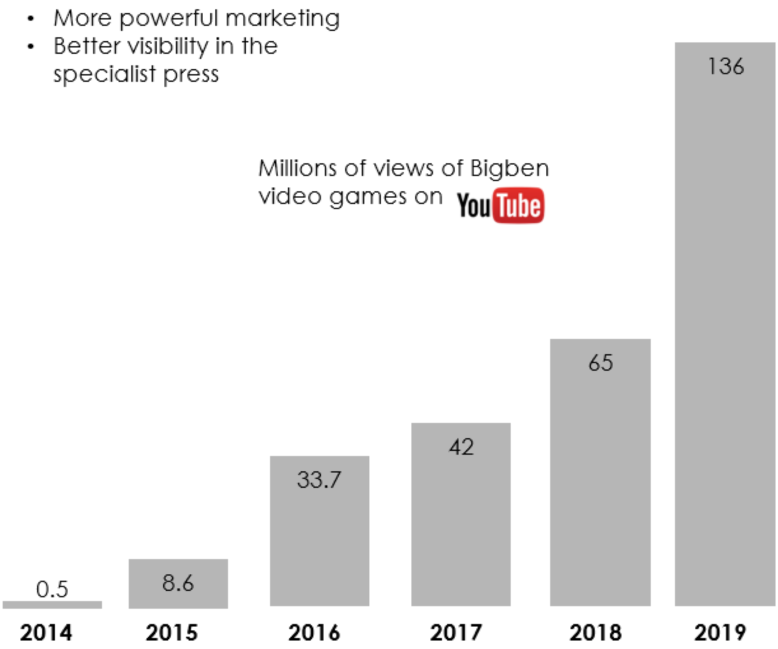
[14]Gameplay is a term used in the video game world meaning how the game is played, including the rules, the plot, the objectives and how to conquer them, as well as a player's overall experience.
[15] Metacritic's Metascore is the gaming industry benchmark and equates to the average of all scores given by the main global gaming media. Each game on each platform (PC, PS4, Xbox One, etc.) obtains a Metascore if the product has been rated by at least six media.



In 2018/19, the first games developed by NACON's in-house studios were released, including: *Warhammer: Chaosbane* (Eko Software), *Tour de France/Pro Cycling Manager* and *Paranoïa* (Cyanide). The excellent scores obtained and the success of the games support NACON's choice of vertical integration.

Improved visibility

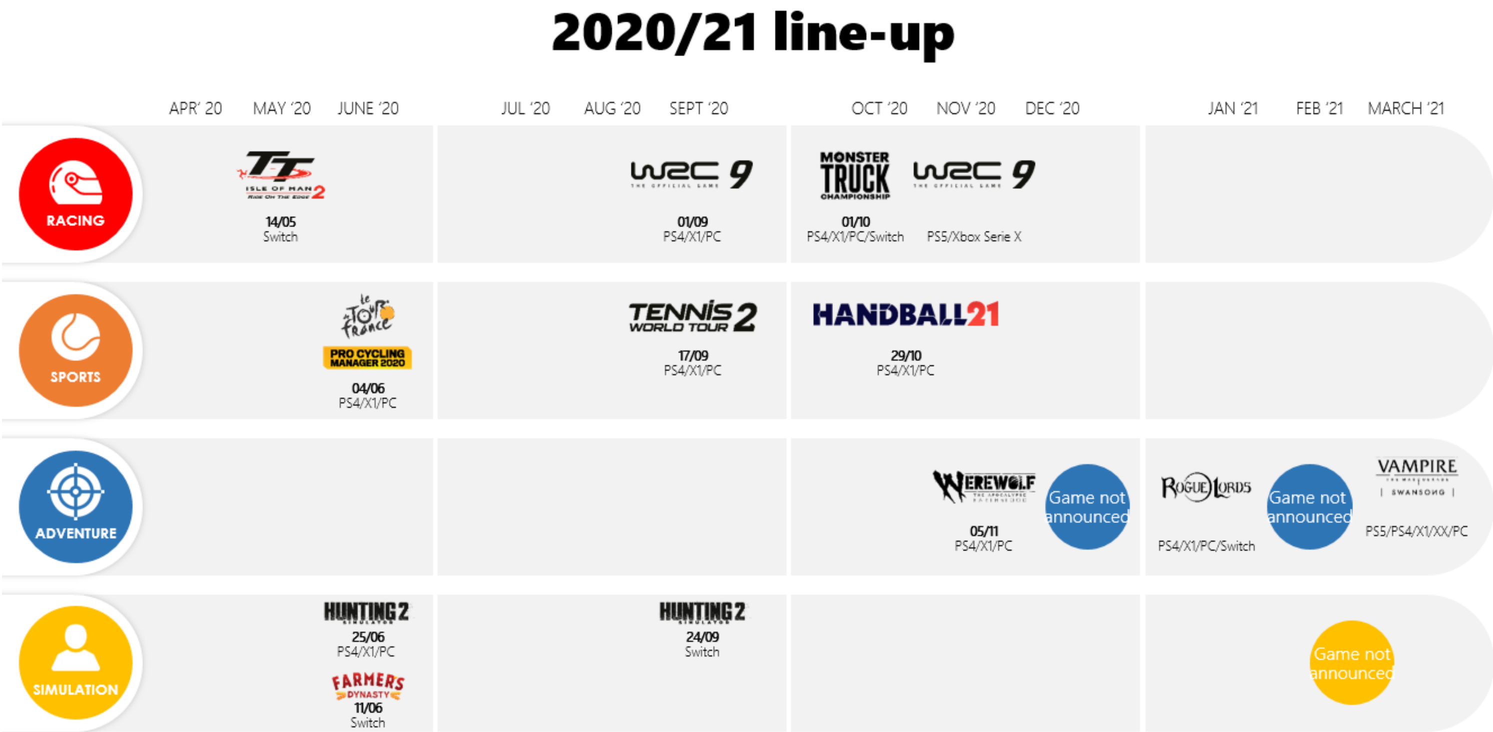
The ever increasing number of views of NACON games on social media is also an indicator of reputation:



5.1.2.1.3 Outlook

<u>Building a profitable line-up</u>

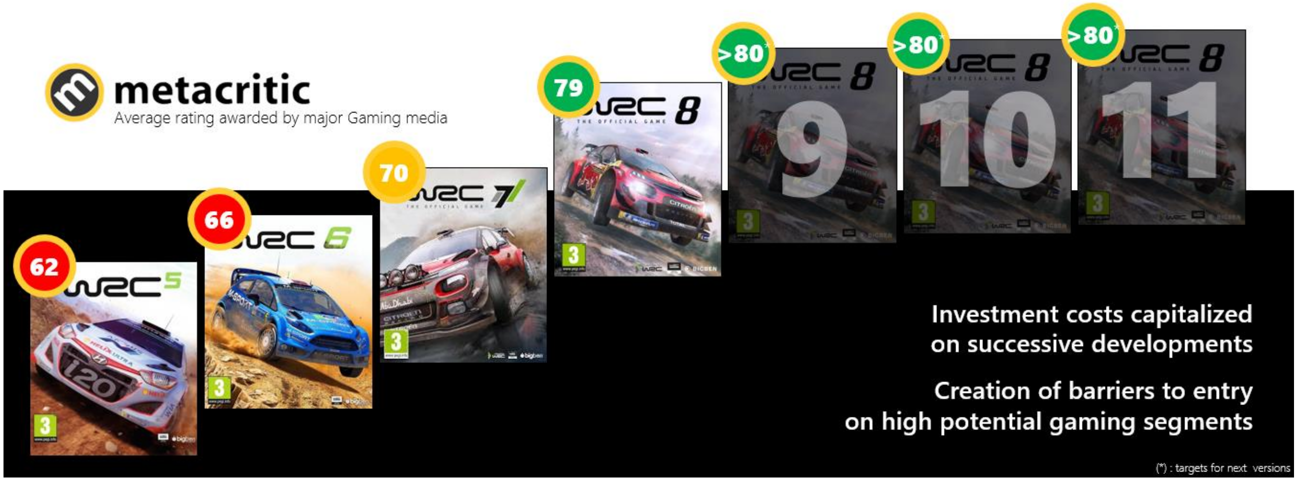
The officially announced line-up is as follows:



The Company's line-up includes high potential and therefore high budget games (over €5 million) as well as lower cost games with an easily reachable profitability threshold. As of 2020, NACON believes that it will be able to start selling games still under development in its in-house studios. In view of the positive scores received by these studios for their previous games, NACON can expect to develop high quality games in the future with excellent sales potential.

<u>Capitalising on game series</u>

NACON also intends to capitalise on its development investments by creating game series or sequels. The Company believes that the experience acquired through years of R&D (and millions of investment) will not only enable it to improve the technical aspect of its games and its critic scores (Metacritic, etc.) but will also be a genuine barrier to entry for competitors who would be obliged to invest heavily and accumulate several years of development experience to achieve a similar technical and quality level.



5.1.2.2 Gaming accessories

NACON believes that it is one of the leading European players in third-party gaming accessories (i.e. not made by console manufacturers), notably with products such as controllers for home consoles, headsets (enabling gamers to communicate during online play) and many other products. Its accessories are mainly designed for the major console manufacturers (Sony, Microsoft and Nintendo).

Accessories for handheld consoles

NACON historically manufactured accessories for Nintendo users (Wii, DS, DSi XL, 3DS, Wii U). There was strong demand at this stage for its range of products developed especially for Nintendo consoles. Following the success in 2017 of the latest generation console Nintendo Switch™, NACON was able to use its historical know-how to market a broad range of dedicated accessories, which were highly successful as of 2017/18.

Accessories for home consoles and PCs

The Group now also makes accessories for Sony and Microsoft platforms and its product range covers all functionalities in those environments.

The accessories market is driven by the massive popularity of video games and the large number of consoles and platforms in use. However, in the past, the closed systems of the latest generations of Sony's PlayStation® 4 and Microsoft's Xbox One released in 2014 had put a brake on the independent accessory manufacturers like NACON.

In 2015, therefore, the Group negotiated a specific licence directly with Sony for its PlayStation 3 consoles, which led to significant sales of accessories manufactured under Sony PlayStation™ licence in financial year 2015/16.

Birth of the NACON® brand

To counter the threat of reliance on the console manufacturers, Bigben Interactive's Gaming Accessories division developed a premium brand called NACON® for PC gamers. This brand very quickly attracted its followers and acquired a strong reputation. NACON created the first controller designed especially for pro gamers. It was named "world's best PC controller" by the specialist press for its quality and personalisation options.

A blue-chip partnership with Sony

Premium segment:

Based on the success of this PC pro gaming controller and the quality of the Group's NACON® brand products, Sony approached NACON at the end of 2016 to develop an eSport controller for the PS4 console using its expertise in pro gamers' requirements. The first licensed PlayStation® 4 Revolution Pro Controller was developed and sold by NACON and was instantly successful. Since then, several million units of each Revolution Pro Controller version have been sold, including:

- *Revolution Pro 2 controller for PlayStation® 4*
- *Revolution Unlimited Pro Controller, the NACON® brand's flagship product*
- *Revolution Pro 3 wired controller for PlayStation® 4*

Entry level segment:

Other than its premium products, NACON addresses the entire market through other products, including Arcade Stick, NACON Compact controller, Asymmetric Wireless controller and other products for use by video game fans (cases, etc) under PlayStation® 4 licence.

Since their launch, combined sales of the entry level Compact and Asymmetric Wireless controllers have reached 1.5 million and they continue to be one of the Group's bestsellers, especially now that worldwide sales of PS4® consoles have exceeded 108.9 million.[16]

The fact that one of the major names in video games, Sony, has chosen to work with NACON is a guarantee of quality.

Moreover, this partnership goes beyond a classic partnership as NACON staff work directly with Sony's technical, design and marketing teams to make sure they comply with Sony's specifications.

NACON has thus become one of Sony's main European and global partners. NACON does not distribute Sony products but develops products under Sony licence.

A partnership that strengthens NACON®'s reputation and brand image

By making a point of providing high quality, safe products and given this partnership with SONY, NACON® has established itself as one of the leading brands in console accessories.

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[16] Source: Sony figures at 31/12/2019 according to http://www.jeuxvideo.com/news/1177505/sony-a-expedie-108-9-millions-de-ps4-dans-le-monde.htm

NACON: a premium product tailored to each segment of the controller market

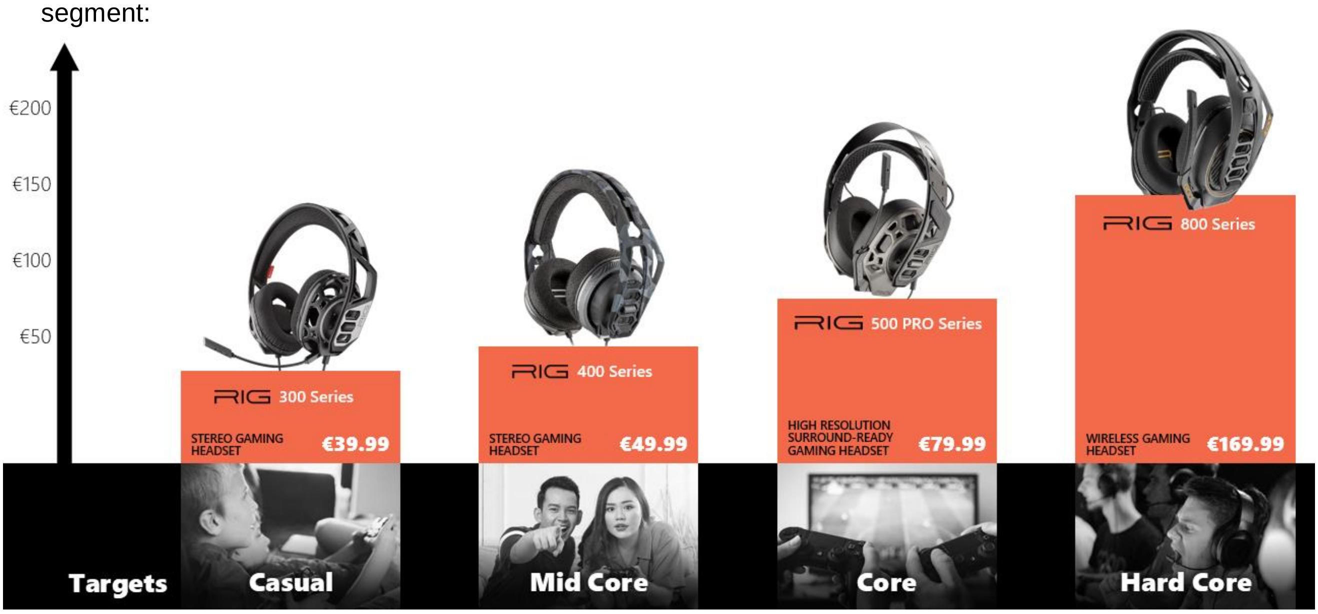
NACON thus aims to provide all gamers with the best controller in their segment:

*Unaudited data

<u>The new RIG™ headset range</u>

Following its acquisition of the gaming headset business and RIG™ brand from Plantronics Inc. (ex Poly), NACON has developed a new range of headsets.

Like NACON® controllers, the RIG™ range aims to provide all gamers with the best headsets in their segment:



RIG™ headsets are an industry standard in the audio market for console and PC gamers. Capitalising on the expertise of Plantronics Inc. (ex Poly), a pioneer and expert in telecommunications, the RIG teams support industry growth by making their technology available to gamers. Appreciated by many gamers worldwide for their innovative properties, their unfailing sound quality and comfort level, RIG products are fully adapted to the most competitive gamers. In this respect, the teams in charge of RIG™ headsets work with many pro gamers, influencers and international eSports organisers.

With a range comprising official Sony and Microsoft Xbox licensed models, RIG™ headsets also feature among the console manufacturers' special partnerships.

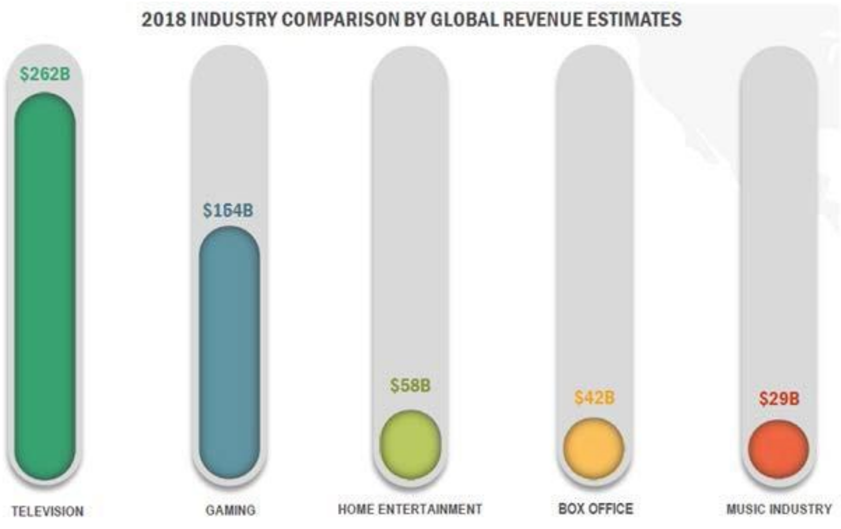
Sales of RIG™ headsets began in early 2020/21 in the USA and Australia, bearing in mind that the acquisition was completed on 20 March 2020, strengthening and rounding out the Group's range of accessories.

5.2 MAIN MARKETS

The section below contains information about the Company's markets, much of which is based on global data and estimates provided by IDG (September 2019).

5.2.1 Video games, a large rapidly changing entertainment market

Gaming has gradually become the largest market in the entertainment world, alongside the historical TV, cinema and music markets.



Source: IDG Analysis, Media Research, Digital TV Research, Motion Picture Association of America, comScore

With $164 billion of sales in 2018 and $177 billion of revenue in 2019 , gaming is now the world's second largest entertainment market, just behind television. It is 5.7 times bigger than the music industry ($29 billion of sales in 2018), 3.9 times bigger than the cinema industry ($42 billion of sales in 2018) and 2.8 times bigger than the home entertainment industry ($58 billion of sales 2018).

The digital transition has had a massive impact on all sectors of the entertainment market, such as the explosion in streaming that has radically shaken up the music and video markets in the past few years, leading to the emergence of new leaders like Spotify, Apple Music and Deezer in music, and Netflix, Amazon and HBO in video.

The gaming market is already changing, with rapid digitalisation of video game sales, mainly through the emergence of digital distribution platforms (such as Steam and Epic Games Store in PC Gaming and Sony's PlayStation Store and Microsoft's Xbox Live in consoles) and multi-player online gaming on PC and console. Change is expected to gather pace with the imminent arrival of 5G, which will make widescale cloud gaming possible in the near future.

Within that market, the NACON's Group's sales profile by product category is as follows:

<u>Breakdown of sales by product category</u>:

In thousands of euros		12-month total			Contribution		
		2019/20	2018/19	2017/18	2019/20	2018/19	2017/18
Revenue		**129,427**	**113,101**	**95,568**	**100%**	**100%**	**100%**
of which	*Accessories*	52,596,	55,242	52,235	41%	49%	55%
	Physical games	20,471,	29,931	25,619	16%	26%	27%
	Digital games	48,940,	20,332	9,196	38%	18%	10%
	Other	7,421	7,596	8,518	6%	7%	9%

The "Other" category includes the Mobile and Audio sales of the German, Belgian, Italian and Games.fr subsidiaries

<u>Weighting of the Group's top three customers</u>

By way of illustration, the weighting of the Group's top three customers in NACON's total sales was as follows:

- 28.1% in 2019/20;
- 18.7% in 2018/19.

The relatively high concentration of NACON's customer base in the latest financial year is the result of two factors:

- one of the studios recently acquired by the Group already had a historical business relationship with a publisher other than NACON;

- NACON received certain minimum tangible guarantees from one of the leading video games download platforms in exchange for granting the platform temporary exclusive rights.

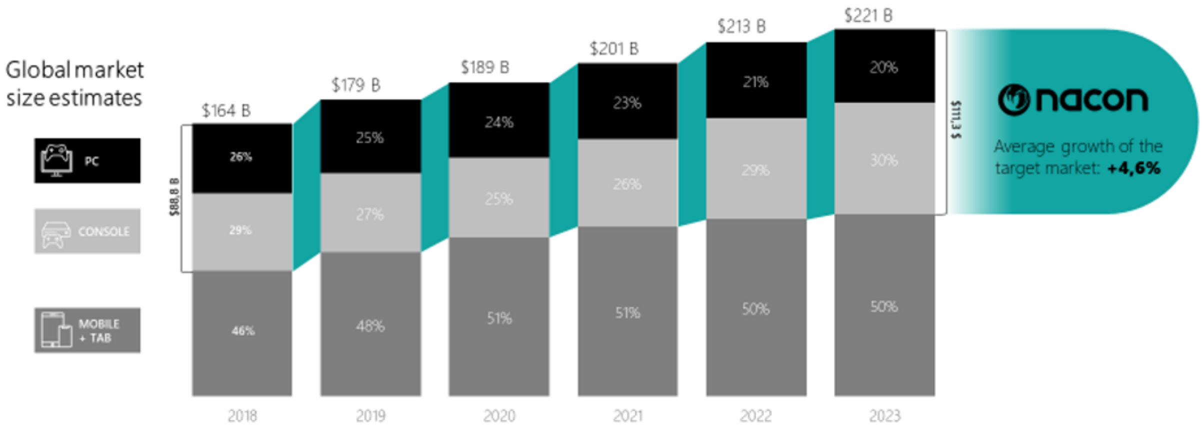
The current financial year should see a reduction in concentration of the customer base.

5.2.2 The global gaming market is still growing

The gaming market has been through a period of major transition over the past few years, with each period of transition traditionally coming with the release of a new generation console, in this case the eighth since consoles first came on the market. With the success of Sony's PlayStation 4, Microsoft's Xbox One and Nintendo's Switch™, the global market is now going from peak to peak, reaching $164 billion of sales in 2018 (including hardware, physical and digital games). The market is expected to reach $179 billion in 2019, an increase of 9.1% compared with 2018.

Apart from consoles, the market is largely supported by the resurgence of PC gaming and by the boom in smartphone and tablet gaming, with mobile gaming representing almost 50% of the market in 2018.

The following section gives an overview of the breakdown of this revenue by segment and by geographical area and expected trends in 2023.



Source: IDG

All segments of the gaming market are growing.

The mobile segment (smartphone and tablet) is still growing rapidly in line with the continued strong growth in smartphone sales. The same titles remain the most successful: *Candy Crush*, *Clash Royale*, *Pokémon* and *Dragon Ball Z* (number 1 in 2018). The mobile environment now accounts for almost half the global market in terms of video game platforms (about 46% market share in 2018), versus about 29% for consoles (home or handheld) and 26% for multi-player PC. However its market share is expected to stabilise at about 50% in the years ahead.

The console market and its environment (games and accessories) is still a long-term growth market but is marked by very pronounced cycles, with the launch of each new generation of console acting as a catalyst.

Consoles are the second largest segment and the most dynamic, with revenue of $46.9 billion in 2018. This segment is expected to reach $67.0 billion in 2023, which represents an estimated CAGR of 7.4% over the period 2018 to 2023.

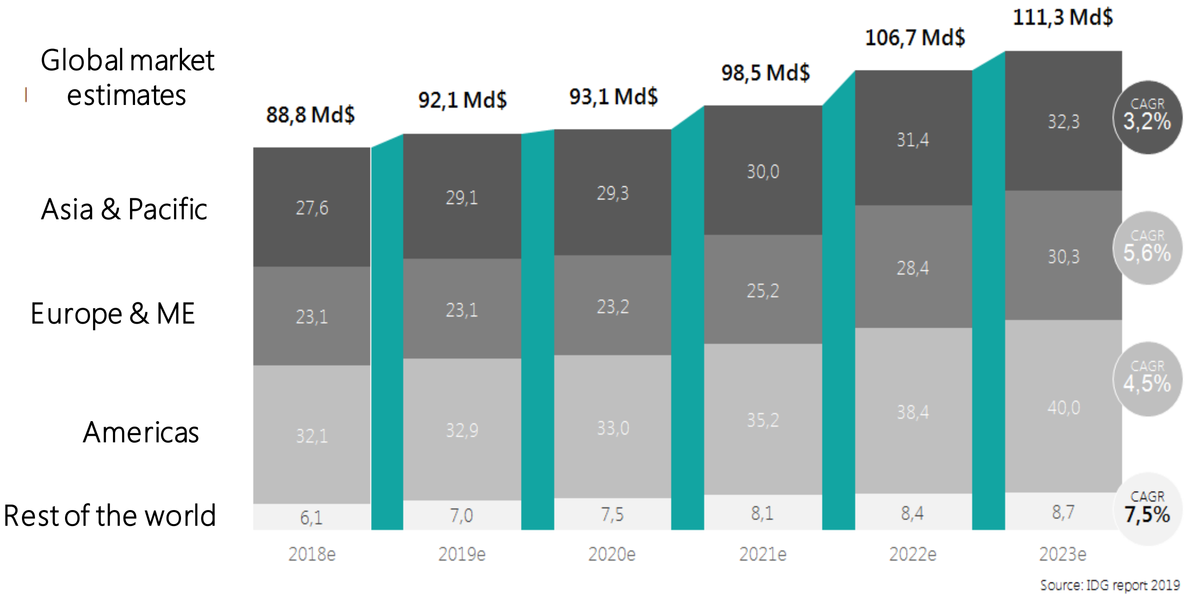
PC gaming had declined steadily during the 2000s and only accounted for a very small share of the market. However, the growth of Steam in the western world and Free to Play in Asia, and, to a lesser extent, the advent of eSport triggered a new boom in PC gaming from 2010. This has led many market operators to move back into this segment, including NACON. In 2018 PC gaming recorded its ninth consecutive year of growth in France, with sales of €1,237 million in the year (for the entire PC gaming ecosystem, notably thanks to the big hit game Fortnite).

PC games thus generated global sales of $41.9 billion in 2018, making it the third largest segment. Over the period 2018-2023, this segment is expected to grow at a compound annual growth rate of 1.1%, reaching $44.3 billion in 2023.

Global market in console and PC video games in 2018

Source: IDG

Trends in the global market in console and PC video games from 2018-2023



Source: IDG

In the Consoles & PC segments, which are NACON's target market, the Americas are expected to remain the largest geographical market in 2019, with revenue of $32.1 billion. This represents about 36% of the global console & PC video games market and a 2.5% increase compared with 2018 sales. By 2023, the Americas area is expected to deliver total revenue of $40.0 billion in the Consoles & PC market, representing a CAGR of 4.5% over the period 2018 to 2023.

Asia-Pacific (APAC) is expected to generate total sales of $29.1 billion in 2019, making it the world's second largest geographical market, representing about 32% of the global console & PC video games market and growth of about 5.6% compared with 2018. However, from March to December 2018 the Chinese market regulator decreed a freeze on licence distribution in China on the grounds of combating violent content and the addiction of very young children to video games.

These arguments do not appear to have any scientific backing (there is no proven link between playing video games and suicide or myopia and, on the contrary, scientific studies increasingly show that gaming offers a number of benefits, including positive cognitive effects, improved reflexes, increased concentration, etc.). However, the freeze on licences has had repercussions on the video game market, particularly in the mobile segment, which is the largest in the APAC area as it relies more heavily on a regular flow of new titles.

By 2023, APAC is expected to deliver total revenue of $32.3 billion in the console & PC market, representing a CAGR of 3.2% over the period 2018 to 2023.

Europe and the Middle East will be the third largest geographical market in 2019, with revenue of $23.1 billion, representing about one quarter of the global console & PC video games market. This only represents 0.3% growth compared with 2018. However growth should accelerate in the coming years, with total revenue estimated at $30.3 billion in the console & PC segment in 2023, representing an estimated CAGR of 5.6% over the period 2018 to 2023.

Lastly, the rest of the world should represent just under 8% of the console & PC video games market in 2019 at $7 billion. This area is expected to enjoy strong growth momentum in the next few years, with an estimated CAGR of 7.5% over the period 2018 to 2023.

Within that market, the NACON's Group's sales profile is as follows:

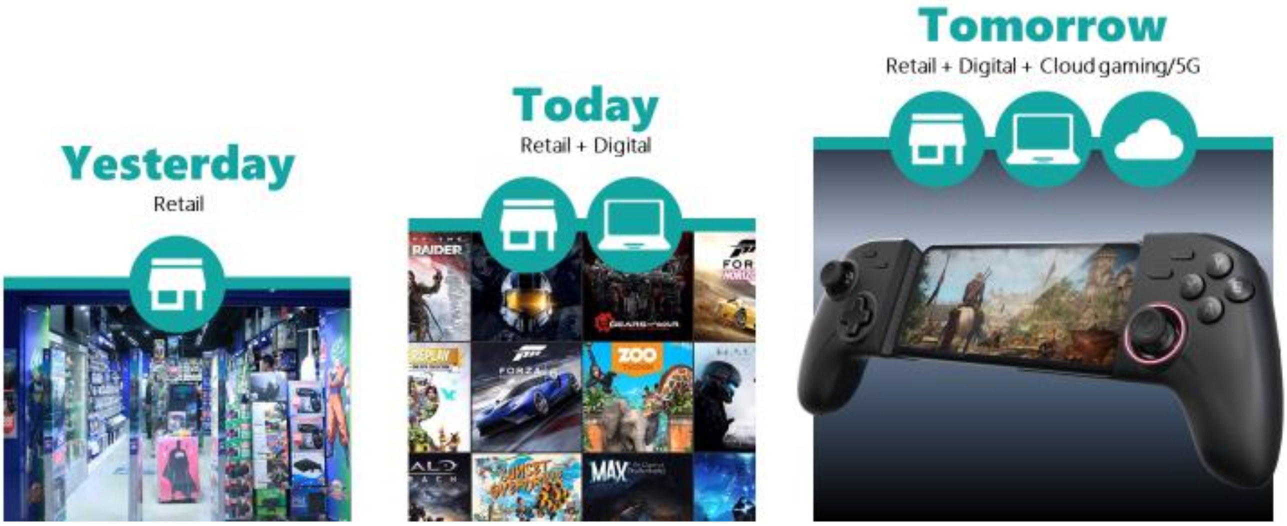
Breakdown of sales by customer country*:

In thousands of euros		12-month total			Contribution		
		2019/20	2018/19	2017/18	2019/20	2018/19	2017/18
Revenue		**129,427**	**113,101**	**95,568**	**100.0%**	**100.0%**	**100.0%**
of which	*France*	27,419	34,503	19,112	21.2%	30.5%	20.0%
	Export	102,008	78,597	76,457	78.8%	69.5%	80.0%

See Section 7.1.1 on trends in the Group's business by geographical area.

5.2.3 Gaming, a rapidly evolving market

Apart from the figures referred to above, it is important to note that the global gaming market has seen some radical changes in recent years.



The number of gamers is increasing and more and more of them are women. In the French market, Gfk data claimed that 29% of the population were regular gamers in 2005. This figure had reached over 51% in 2018. Today, more than one half of all homes are equipped with a gaming console versus less than one third 10 years ago.[17] At the same time, more and more women are playing video games, especially in the older age brackets.

The gender split is now 47% women and 53% men.[18]

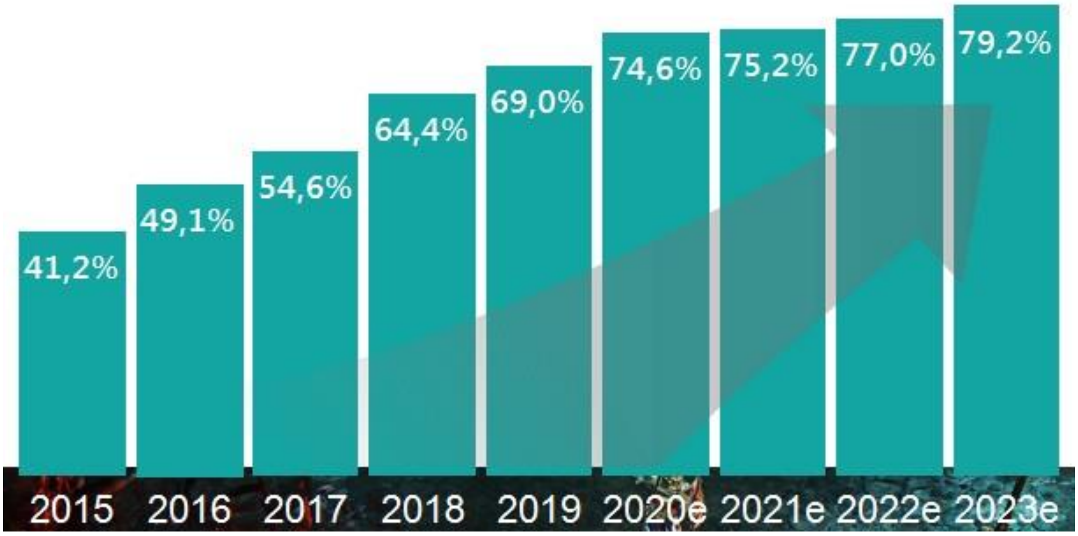
These trends are due to the fact that nowadays video games can be played anywhere in the home, on console, tablet, smartphone or even connected TV.

5.2.3.1 The digital revolution in video games publishing

In this apparently buoyant environment, the market has nonetheless seen some strong impacts due to digitalisation of games, with very rapid growth in digital sales (which represented 64.4% of total video game sales in 2018 according to IDG). This trend, which is expected to gather pace in the years ahead to reach almost 80% of total sales in 2023 according to IDG estimates, is due to the increasing number of digital distribution platforms (such as Steam and Epic Games Store for PC gaming and Sony's PlayStation Store and Microsoft's Xbox Live for consoles) as well as increased competition from smartphones, which are also largely used for gaming.

[17] Source: GFK.
[18] Source: GFK statistics.

Growth of digital sales as a proportion of total video games sales



Source IDG – global sales

Digitalisation of video game sales will provide many opportunities and positive trends for publishers:

- increased availability of the video games catalogue, which is now available 24/7 worldwide through the digital distribution platforms;
- more distribution channels, with the arrival of new digital distribution platforms that are seeking exclusive content and will contribute to financing games, particularly through minimum guarantee mechanisms granted in exchange for an exclusivity period;
- a longer game life, through the creation of a back catalogue, with games remaining available for sale for several years, unlike the physical sales model where games were only available for a few months;
- piracy made increasingly difficult due to the need for gamers to connect to the platform to play online;
- development of the 'Paymium' model in which gamers pay for games and can then convert real money into virtual money or buy in-game items via microtransactions to speed up their progress in the game or to acquire limited-edition objects.

5.2.3.2 eSport, an attractive sector in full boom

Another underlying trend in the sector is eSport which the practice of competitive gaming either in a team, solo or in a LAN party or via Internet on either console or PC.

Pro gamers play either solo or in a team. They practise for several hours a day, take part in competitions organised throughout the world and live off their winnings. Competitive tournaments are highly popular in Asia, and in particular South Korea and Japan. They are broadcast on TV and the players are stars. The first tournaments took place in 1997. The best known tournaments are Cyberathlete Professional League, the World Cyber Games and the Electronic Sports World Cup. In the mid-2000s, the largest international eSport competitions offered several million dollars of prize money. A record was achieved in 2015 by The International Dota 2 competition which offered a purse of more than $18.4 million, including over $6.6 million for the winning team.

In 2016, the Olympic Committee recognised eSport as a sport, paving the way for it to be included in future Olympic Games, although no specific date has been put forward.

Almost 200 video games are now played competitively (including two published by NACON: WRC and TWT) but the top 10 alone generate 80% of sector revenue.

Many indicators illustrate the dynamic momentum in the eSport segment:

- investments in eSport have never been so high, with some one hundred deals in 2017 worth $1.8 billion;[19]
- there were 21,800 active pro or semi-pro gamers in November 2019, compared with barely 8,000 in 2014;[20]
- the total annual amount of prize money paid out to competitors amounted to $163 million in 2018, more than seven times the 2013 figure.

eSport should grow sharply in the years ahead as it becomes increasingly accessible (mainly due to content sharing via some platforms).

Competitive gaming will become much more widespread, as the market is beginning to mature with tried and tested business models, more professional management and improved league structures, while emerging high growth platforms such as Discord and popular games such as *Fortnite* are still seeking to build a genuine eSport identity.

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[19] Source: www.esportsearnings.com.
[20] Source: CBINSIGHTS, end-October 2017.

Games are now 'predestined' to follow an eSport career. The main benefit of this is that it extends the life of a game from several months to several years, sometimes more than 10 years. Epic Games, developer of *Fortnite*, has announced that it intends to contribute $100 million in prize money.

The eSport industry has been cultivating its communication strategy and engaging with well-known sports personalities, close to the gaming culture. In addition sport and eSport have developed a closeness that could be described as natural. The US sport franchises and European football clubs very quickly understood how eSport could represent an opportunity for them.

eSport fans, mainly comprising generation Y and Z, are deserting the stadiums. Clubs can therefore win back their younger public by playing a role in structuring the eSport industry.

In this ebullient environment, the major eSport segments are rising to the challenge with the aim of capturing a share of the promised financial bonanza:

- Publishers and design studios are progressively engaging in an industrial strategy. Long considered as a source of additional revenue, eSport is now the very basis for the development strategy of video game publishers and design studios. These market operators are positioning themselves right across the eSport value chain or developing a strategy of partnerships with existing providers;
- Promoters and franchises are consolidating their position in the value chain. Long the drivers of eSport growth, these operators are faced with new players, mainly publishers and developers, seeking to (re)gain control over the use of their titles for competitive gaming. Their technical and logistics know-how means that they cannot be circumvented, even by publishers seeking to insource the eSport business;
- TV channels are attempting to measure the scale of the phenomenon and to take their place in the broadcasting model. Sky, BBC, ITV, Fox, TBS and above all Disney through ABC, ESPN and Disney XD are beginning to broadcast eSport events. But the Web players are the main winners in the eSport audience war, especially Twitch and YouTube Gaming, as well as eSport specialists such as Electronic Sports League (ESL), Major League Gaming (MLG) and Smashcast;
- Betting companies are eagerly awaiting more accommodating legislation. In May 2018, the Supreme Court in the United States decided to allow each State discretion to legislate on sports betting. This decision should have an impact on eSport and enable it to generate sufficient revenue to support sustained growth.

In summary, these various vectors of eSport are combining to attract new users in the ecosystem while further engaging and retaining existing users. This gives the gaming market a huge competitive advantage compared with other vertical entertainment sectors, in terms of maintaining a healthy, vibrant, dynamic and high-growth games ecosystem.

5.2.3.3 Cloud gaming is beginning to take off

Just as mobile gaming enlarged the market by making games accessible to billions of people throughout the world, cloud gaming has the potential to enlarge the market for premium games beyond the current console and PC audience.

Cloud gaming, which was still impossible only 10 years ago, means that any game can be played on any device (PC, console, smartphone, TV etc.) even if the consumer does not have the physical hardware required to process the game.

As the technology continues to improve and cloud gaming begins to take off, there should be an increase in global demand for games as new consumer groups enter the ecosystem. This far-reaching change will also lead to challenges and innovations in business models, game development, content discovery, commitment options and even changes in the actual gameplay itself.

During the past year, some key operators have unveiled cloud gaming platforms. Faster broadband speed and the imminent arrival of 5G make the technology usable in more markets than ever before. For example, Microsoft announced its xCloud project in October 2018, relying heavily on this new innovative technology for the next generation of consoles. Earlier this year, Google unveiled Stadia, the tech giant's biggest incursion into the video games industry yet (apart from Google Play Store). Sony is also active in cloud gaming and currently operates the world's most popular platform, PlayStation Now, which has more than 700,000 users.

Although multi-platform gameplay[21] is becoming the norm rather than the exception in 2019 and beyond for key titles, it will take more time for cloud gaming to gain market share. IDG forecasts that 2021 will be the year when cloud gaming/streaming will become the biggest growth driver in the market.

However, there are a number of major obstacles to overcome before cloud gaming can become the *de facto* sales model:

- From a technology perspective, massive power is needed to provide a cloud gaming service. This requires heavy investment in datacenters, massively powerful cloud servers and games development tools guaranteeing a transparent experience. 5G offers a new opportunity to improve the infrastructure for cloud technology but it has not yet fully penetrated most of the main gaming markets. Given the persistent concerns over latency, publishers do not want gamers to have a sub-standard experience;

- From a products perspective, most publishers are still reticent about providing their flagship titles on streaming services, mainly because the change in business model induced by games streaming could prove to be less profitable than the current sales model.

As pointed out earlier, many tech companies, games companies and platform operators are investing massively in this new opportunity in order to secure the long-term viability of their business if cloud gaming becomes the *de facto* games distribution model. Yet IDG believes that the market will not reach critical mass for at least another two years.

In short, cloud gaming should revolutionise the market by adding new functionalities for consumers, new content distribution methods and, potentially, new pricing models.

5.3 SIGNIFICANT EVENTS IN THE GROUP'S TIMELINE

The Company is the result of a reorganisation of the Bigben Interactive's group's Gaming division, whose business is the development, publishing, marketing and distribution of physical and digital video games, and the design, development, manufacture and wholesale distribution of gaming accessories (see Section 5.1.1.1).

The most significant events since the Company's creation are as follows:

18 July 2019:	Registration of the Company as a *société par actions simplifiée* whose share capital and voting rights were wholly owned by parent company Bigben Interactive.
31 October 2019:	Approval of the spin-off of Bigben Interactive's stand-alone Gaming business to the Company, including the shares of the specialised Gaming subsidiaries.
22 January 2020:	Conversion of the Company to a *société anonyme à conseil d'administration* and appointment of members of the Company's main governing bodies.
4 March 2020	NACON shares listed and admitted for trading on Euronext Paris (ISIN: FR0013482791, symbol: NACON) after a successful €109.0 million capital increase (gross amount) via the issuance of 19,810,931 new shares at €5.50 per share. After the share issue, Bigben Interactive held 76.67% of NACON's share capital.

5.4 STRATEGY AND OBJECTIVES

NACON intends to leverage its extensive experience and fully exploit the booming market by

[21] Gameplay is a term used in the video game world meaning how the game is played, including the rules, the plot, the objectives and how to conquer them, as well as a player's overall experience.

implementing an aggressive Gaming strategy based on the following three strategic pillars:

- become an integrated video games publisher;
- pursue a product leadership strategy in Gaming accessories;
- continue to rely on a unique hybrid business model for an optimum risk/reward profile.

5.4.1 Become an integrated video games publisher

5.4.1.1 AA positioning with a focus on specialisation and niche markets

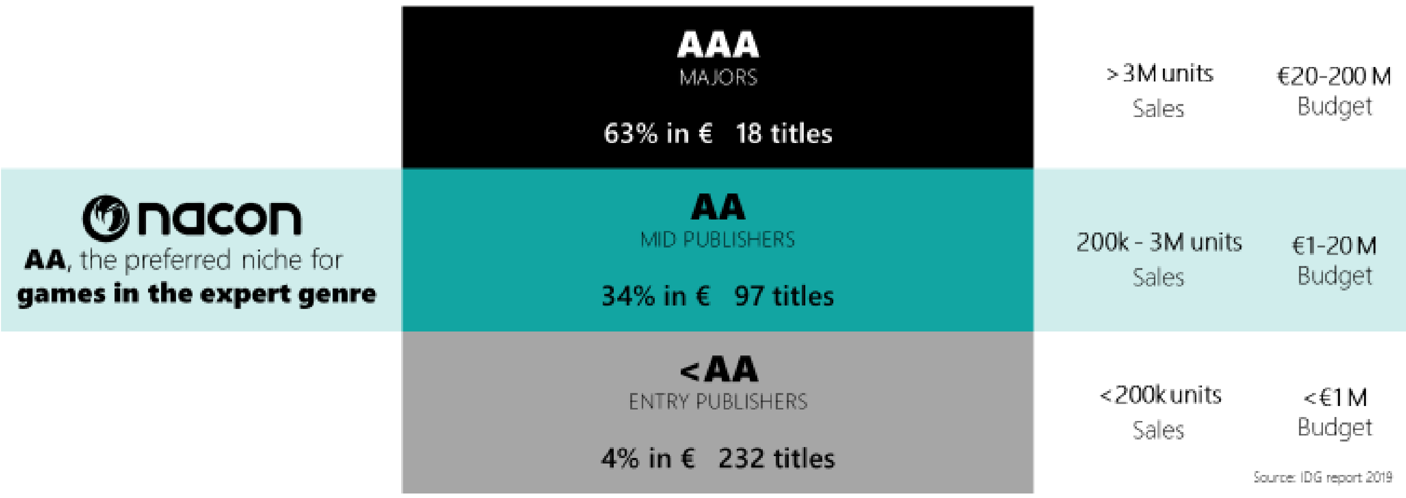
5.4.1.1.1 An AA market suited to NACON's resources

While the industry majors focus on developing and selling titles with a sales target often in excess of 3 million copies, the Company believes that there is a market for mid-publishers like NACON.

This so-called AA market segment, which covers titles typically selling between 200,000 and 3 million copies, is not well covered by the majors because it does not generate sufficient sales volumes to cover their fixed costs. It therefore offers many opportunities for a company like NACON.

<u>Gaming market segmentation by category</u>

Global retail and digital console game sales - 2018



Similar purchasing propensity between segments

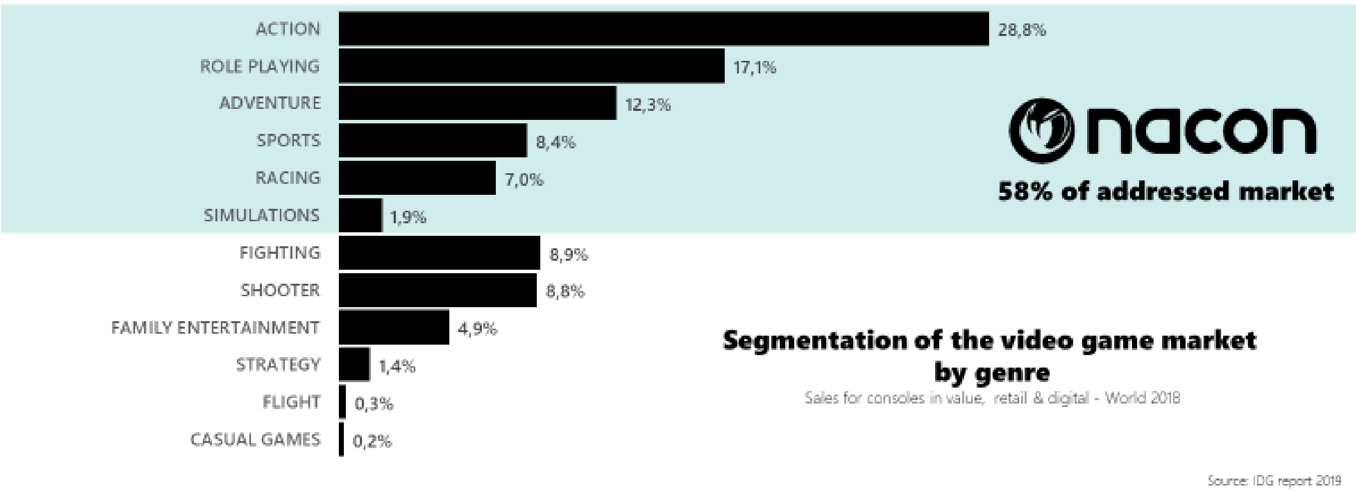
5.4.1.1.2 NACON's positioning in niche games

NACON differentiates itself from the competition by focusing on niche areas neglected by the AAA publishers. These niche games are aimed at gamers with a passion for a particular genre and are likely to generate attractive revenue for NACON relative to the necessary investment. It may be fishing, hunting, bee-keeping, racing, role-playing or turn-based combat games exploiting a specific universe, or some sports games that are only of interest to a narrower community.

For example, rugby games are not published by the majors as the consumer base is too small (rugby is only really popular in about fifteen countries and the fan base is therefore too small for the majors with a large fixed cost base); each Rugby game sells about 100,000 copies.

The Company has also broadened its line-up to encompass adventure and role-playing games by acquiring studios that specialise and own copyright in those areas.

NACON addresses genres that represent more than half of the AA segment



NACON covers six of the existing 12 genres.

At 31 March 2020, the breakdown by genre of NACON's Video Games revenue was as follows:

2019-20	% of Video Games revenue
Action/Adventure	49%
Racing	24%
Simulation	13%
Sport	14%
	100%

No one game currently represents more than 10% of the NACON Group's total sales. The Company regards its catalogue as now sufficiently large and varied to generate significant back catalogue sales. Over the last three years, NACON's back catalogue sales have increased sharply, totalling:

- 2017/18: €4.4 million;
- 2018/19: €8.6 million;
- 2019/20: €10.8 million;

5.4.1.1.3 A selective choice of licences and brands

NACON has genuine expertise in licensing and also has several own brands. These brands and licences are one of the criteria that push the consumer to purchase a particular game.

NACON thus sells three categories of games:

- Games that contain NACON copyrighted material:
  - Games that carry brand names purchased by NACON or developed-in house by its studios: *Styx*, *ProCycling Manager*, *V-Rally*, *Test-Drive*, etc.

- Games that carry the licensed brand name:
  - *Warhammer*® (licensing agreement with Games Workshop);
  - *WRC*® for its Rally games (agreement with FIA/WRC Promoter);
  - *Tourist Trophy Isle of Man*® (agreement with Isle of Man).

- NACON games that feature known brands:
  - *Tennis World Tour* (negotiation with the agents of all tennis players featured in the game);
  - *Test Drive* features more than 100 licensed prestige car marques;
  - fishing or shooting games feature many known brands (Winchester® rifle, etc.);
  - Top 14/Pro D2 for Rugby games (agreement with *La Fédération Française de Rugby*);
  - Etc.

These major names are usually keen to renew their licences due to the positive benefits they obtain from NACON games and their confidence in NACON's capabilities.

Few publishers have such an extensive licensing business, which is a real competitive strength for NACON. AA niche games such as rugby, racing, cycling, fishing, hunting, bee-keeping, etc. are aimed at fans who really know their sport, are seeking authenticity and realism in the game and want to see known brands.

NACON intends to continue forging licensing partnerships, which are a valuable means of providing authenticity and lead to many promotional partnerships.

At 31 March 2020, the breakdown by IP type of sales of games published by NACON (excluding distributed titles) was as follows:

2019-20	% of Video Games sales excluding distributed titles
Licensed IP	36%
Owned IP	30%
Publishing	34%
IP = Intellectual Property	100 %

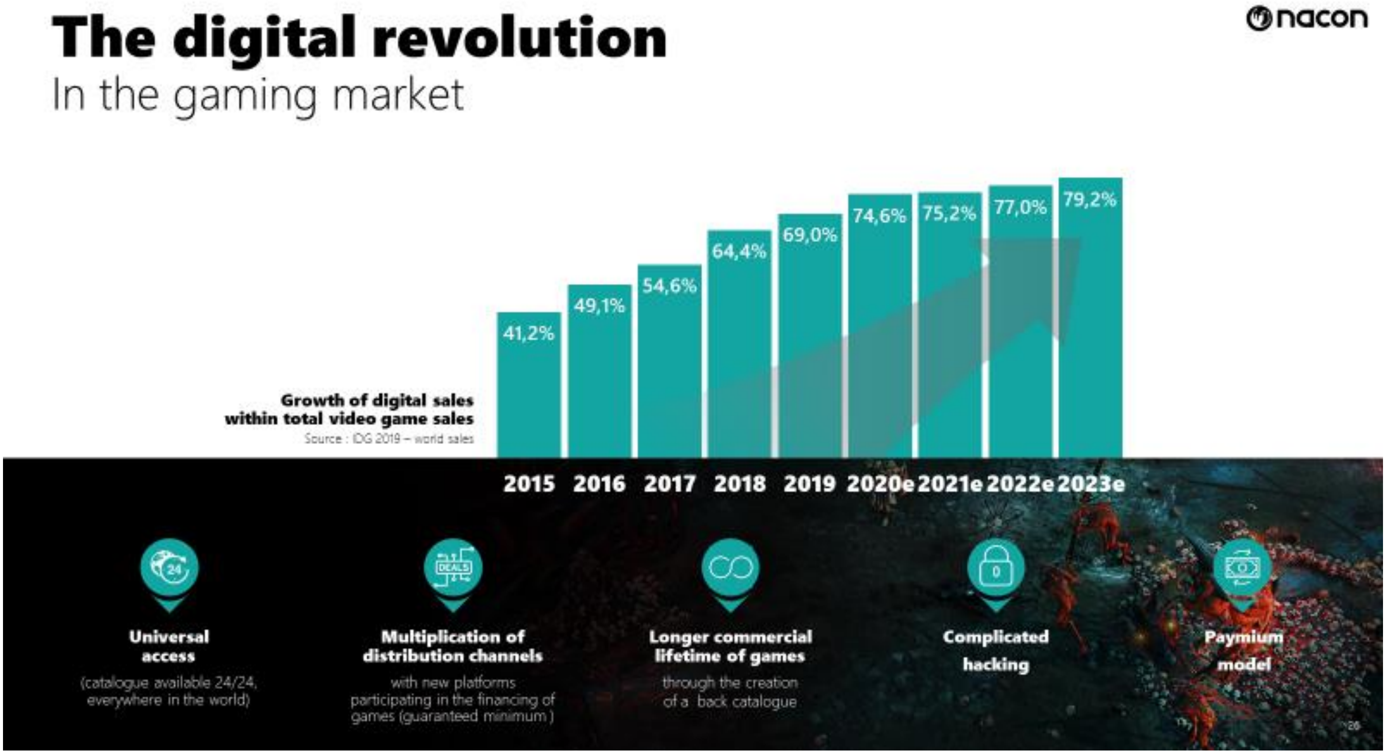
5.4.1.2 Vertical integration for control over game "content" creation

Having initially developed its publishing business by subcontracting to outside development studios, the Group's approach has evolved in the past two years, with the acquisition of several development studios including Kylotonn Games (100% owned in October 2018), Cyanide (June 2018), Eko Software (October 2018) and Spiders (September 2019), as well as an interest in RaceWard.

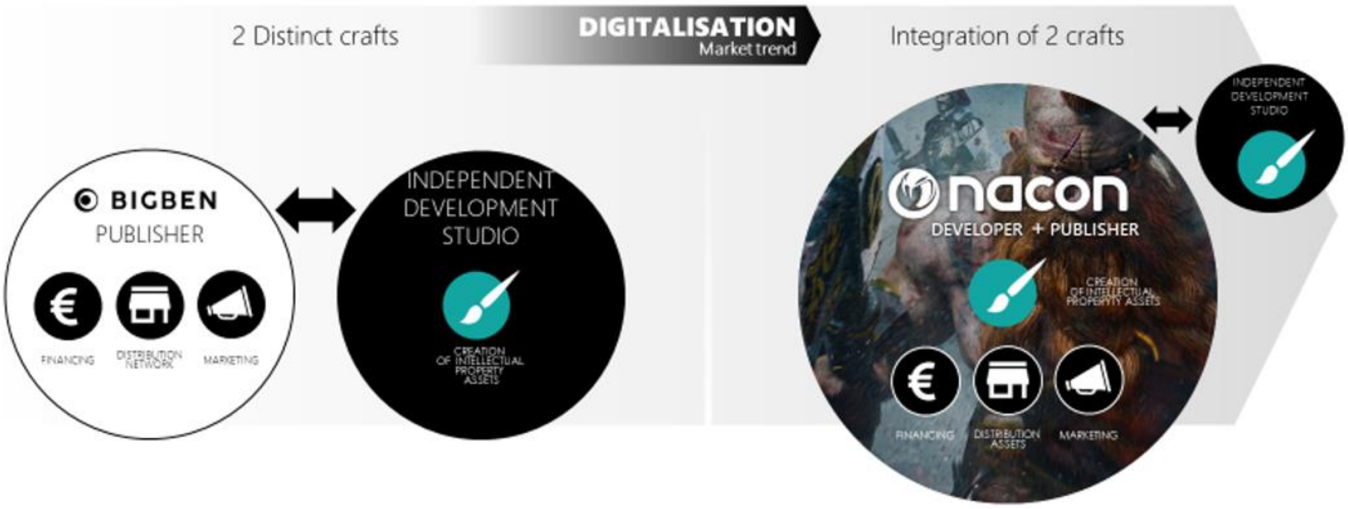
5.4.1.2.1 Developer-Publisher model

Digitalisation of content sales is accelerating. In 2019, digital sales already represented 50% of the market in value for console games and this could go above 70% in years to come.

Digitalisation offers many advantages and is therefore disrupting the gaming market.



Developer-Publisher model - the new market standard



Digitalisation means that the most talented and best capitalised studios can cut out the publisher-distributor middleman to access end consumers directly through the online stores (PSN, Xbox-Live, Steam, Epic store, Nintendo eShop, etc.).

The risk in the years ahead is therefore that the most creative studios with proven know-how in some specific genres will directly finance their games and build up their own marketing teams to promote them. In so doing, they would cut out the publisher and operate only in the digital market and not the physical market.

In such a market context where the developers would find themselves in a position of strength, publishers that do not become developer-publishers would be faced with several risks:

- they may not be able to find high-quality indie developers to develop their games;
- they may only be able to find developers with limited expertise;
- they may only be able to find developers that work on a value sharing basis more profitable to them.

However, this scenario should be treated with care as it will probably only concern a few indie studios that have sufficient resources to finance their game development costs themselves.

Aware of this possibility, NACON is pursuing a strategy of acquiring development studios. This is, in fact, a natural market-driven extension of the publisher's business by gaining expertise in content creation and publishing its own games. The developer-publisher model is now at the heart of NACON's strategy; by covering the entire value chain from design through to sale of a game, NACON is following market trends and capturing the entire financial value of the game.

Other reasons behind NACON's strategy of acquiring development studios are to:

- encourage exclusive access to the games developed by studios with recognised know-how;
- have studios that each specialise in one or several specific genres to create expert teams that can produce exceptionally high-quality games at optimum cost;
- obtain better control over budget and production lead times;
- generate synergies between the studios to reduce development costs;
- recover the share of royalties typically paid to the studio by the publisher.

5.4.1.2.2 Integration of core skills and strategic assets

Studios with genuine know-how

These acquisitions have also enabled NACON to capture some outstanding know-how built up over a number of productions with experienced developers known for the quality of their games.

NACON's studios employ more than 300 people in various international cities that are very active in the gaming industry: Paris, Bordeaux, Lyon, Montreal and Milan. These people have many years of experience in developing highly sophisticated games.

NACON's objective is to increase its in-house development rate from 50% to 70%. However, it will continue to use external studios where it does not have the in-house skills to develop a particular type of game or where the external studio has a genuine differentiating capability for a potential development. It will therefore select "the best studios to develop the best games".

Core assets – a real barrier to entry

Apart from achieving the vertical integration sought by NACON, the acquisitions described above have also brought the Group various intellectual property rights which are valuable assets.

NACON's studios own the following valuable intellectual property rights:

- highly successful trademarks: *Pro Cycling Manager* (game selling over 100,000 copies for each release), *Styx*, *The Council*.
- the specialised KT Engine for racing (Kylotonn) and Silk Engine (Spiders) for RGP games, which embody many years of research;
- the games universe and characters created by Spiders, which required more than 12 years of development and five RPGs to achieve the level of *Greedfall*.

Through their historical partnerships, the studios also give NACON access to some prestigious licences such as *Tour de France*® and Games Workshop (*Blood Bowl*®, etc.) for Cyanide.

The Company considers that these assets enable it to:

- retain the R&D investment it had financed in Kylotonn and Eko Software to keep a step ahead of the competition in racing, rugby, handball, etc. simulation games;
- acquire the R&D accumulated over several years of development by all the studios in their main areas of business;
- and therefore have a competitive edge over competitors wishing to develop games in NACON's own niches. They would have to spend tens of millions of euros and several years of development to reach the same quality levels.

5.4.1.2.3 Seeking content

The strategy of acquiring development studios also aims to accelerate the creation of original, exclusive proprietary content.

Bigben Interactive's acquisition of Kylotonn Games gave it a solid position in the racing games segment. Cyanide added some major new genres to the Group's stable (strategy and tactical games, episode narrative games, shooter games and management games) as well as games that are complementary to its existing line-up (sports, action and adventure games), which will strengthen its editorial positioning. Eko Software has broadened the Group's presence in popular genres like action/RPG, Hack'n Slash and sports games. Spiders enables NACON to cover the entire universe of RPG and action games.

A production capacity sized to meet growing demand for new content

Aiming for a balanced line-up

As explained earlier, NACON has a balanced line-up comprising:

- high potential and thus high budget games, and lower-cost but assured profitability games;
- four different genres that balance the risks (racing, sports, action/adventure and simulations);
- games using intellectual property and known genres (WRC, Hunting Simulator, Styx, etc.) and intellectual property creations in new genres (FIA European Truck Racing, Bee Simulator, etc.).

This prudent approach limits the risk of the commercial failure of a high budget game in which NACON has invested heavily, or the risk that gamers will tire of a particular game, and therefore supporting a long-term future for NACON games.

NACON intends to continue this approach and believes it can support its profitability while benefiting fully from the opportunities offered by a market in search of highly varied content.

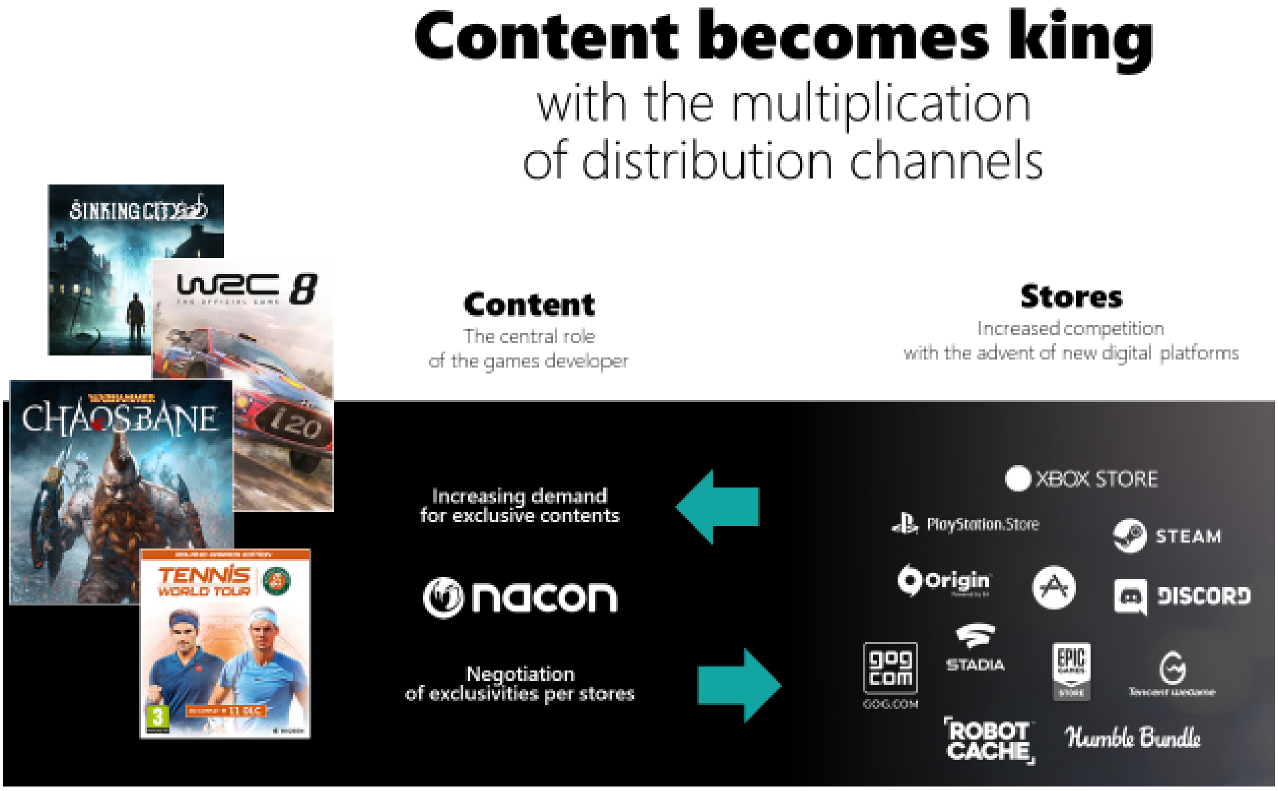
5.4.1.3 Capitalising on a favourable market context for publishers

Arrival of digital platforms

Digital consumption is increasing and the disruptive cloud technology is likely to take the market by storm in the medium term. At the same time, many new independent distribution platforms (Stadia, Epic Games, Origin, xCloud, etc..) are seeking more and more content, which they often require to be exclusive. Competition between them is fierce in order to win share from existing platforms (PlayStation, Xbox, Steam, etc.).

These distribution platforms will have to fill their online stores in the years ahead and are beginning to overpay for content in order to offer exclusive content to their future subscribers, thus following in the footsteps of the cinema and cartoon world before them. AAA publishers require very substantial guaranteed minimum volumes so these platforms can only carry a few AAA games in their online stores and are therefore bolstering their range with AA games. The significant amounts currently paid in the sector will mainly benefit the mid-publishers such as NACON which, with its highly diversified line-up, is extremely well placed to negotiate exclusive deals. Thus in 2019, NACON seized these opportunities with Epic, negotiating temporary exclusivities for *Sinking City*, *WRC 8*, *Paranoia: Happiness is Mandatory* and *Bee Simulator*.

Consequently, developer-publishers that have a lot of 'content' are now ideally placed to negotiate distribution agreements via these global platforms.



NACON is well aware of this market reality: not only has it acquired development studios but it also intends to invest €40 to 50 million a year in development and publishing over the next three years, which should feed these new digital platforms with the content they are seeking, thus increasing the Company's revenue and earnings.

5.4.1.4 NACON's Publishing strategy in 2023

NACON aims to become a leading publisher in the AA segment by 2023:

5.4.2 *Continuation of the product leadership strategy in gaming accessories*

NACON considers itself as one of the European leaders in third-party accessories (not made by the console manufacturers[22]) for over 20 years. More generally, the Company sees itself as a leading global player (source: Company).

The Company believes that this position:
- puts it in an ideal position to negotiate partnerships with the console manufacturers;
- gives it an extensive multi-channel distribution channel;
- enables it to attract the best people in the market (employees, ambassadors, etc.) or puts it in a position of strength to negotiate major events (eSport sponsoring, etc.).

5.4.2.1 R&D, a differentiating factor

5.4.2.1.1 Products that suit a market focused on eSport

NACON believes that it was one step ahead of its competitors in realising that the gaming market would move inexorably towards eSport and ever more technical accessories. Since the early 2010s, NACON has invested heavily in R&D, which has enabled it to develop controllers that are now regarded as the 'best in the world' by market experts and the specialist press.

Its NACON® brand products are mostly premium products and are all highly popular with gamers.

5.4.2.1.2 Technological innovation: a strong competitive advantage

Its expertise acquired over many years and its innovations, which the Company believes to be duly patented, represent a strong barrier to entry. Leveraging its position as a pioneer, NACON believes it has a lead of several years over its competitors.

In order to maintain its technological edge, NACON continuously seeks quality and aims to premiumise all its accessories. It has thus extended its method of developing accessories for pro gamers to all its product ranges: it aims to offer the best possible gaming experience to all gamers and therefore invests in improving its entry-level products (e.g. the Compact controller). By creating a 'premium entry level range', NACON also enables less well-off gamers to buy high quality accessories at an affordable price. It thus dominates this market segment and customer satisfaction improves the overall brand image yet further.

[22] I.e. Sony and Microsoft.

5.4.2.2 Forging prestigious partnerships

As explained in Section 5.1.2.2, NACON and Sony have had a special business relationship for many years and in 2015 Sony approached NACON to forge a genuine partnership to develop premium controllers and then products in its entry-level range under a dual Sony and NACON® licence.

NACON has thus become one of Sony's main European and global partners. Thanks to this partnership, NACON is able to meet global demand and adapt to the various world markets. For Sony, it has become a leading partner.

NACON intends to continue these mutually beneficial partnerships and forge others with tomorrow's industry players. As the leading manufacturer of premium controllers, it is capable of developing its technologies on any future platform. For example, having already developed the box controller for Orange, SFR and Bouygues Telecom, it is ready to take up the new opportunities that 5G will offer in the next few years.

5.4.2.3 Conclusion on NACON's Accessories strategy

NACON's Accessories strategy can be resumed as a virtuous circle:

5.4.3 A hybrid business model

5.4.3.1 Three revenue models

NACON's business in video game development and publishing and the design and distribution of gaming accessories generates three types of revenue model:[23]

- revenue from the sale of new games:[24] €58.6 million in 2019/20 representing 45.3% of revenue (versus €41.7 million in 2018/19 representing 36.9% of revenue);
- recurring revenue from back catalogue sales:[25] €10.8 million in 2019/20 representing 8.4% of revenue (versus €8.6 million in 2018/19 representing 7.6% of revenue);
- revenue from the sale of accessories: €52.6 million in 2019/20 representing 40.6% of revenue (versus €55.2 million in 2018/19 representing 48.8% of revenue).

5.4.3.2 Developer-publisher business model

In the traditional model, the publisher covers the development cost and the developer's margin and then pays royalties to the development studios. Royalties are only paid to external studios that have intellectual property rights or in the case of co-publishing agreements.

The developer-publisher business model provides the following benefits:

- lower execution risk thanks to vertical integration: better project monitoring, better anticipation of production difficulties, information and risk of overrun or delay, and control over budgets;
- captures 100% of the value: integration of the margin and royalties earned by the studios;
- expertise and R&D retained in-house.

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[23] Source: figures taken from the consolidated and combined financial statements in Section 18.1.6 without the revenue from the non "carved out" Mobile and Audio distribution subsidiaries.

[24] NACON definition: Digital and retail video games released in the previous financial year.

[25] NACON definition: Digital video games released in prior financial years.

5.4.3.3 Good fit between NACON's revenue models

5.4.3.3.1 A virtuous model: smoothed revenue stream – controlled costs

The split between sales of games and accessories smooths the seasonal variations in total sales as accessories generate a more regular revenue stream than games, sales of which are related to release dates. Revenue from video games is supported by back catalogue sales.

The integrated developer-publisher positioning (high capex, high fixed costs, marketing risks for each series offset by very high potential revenue) is a good fit with the accessories revenue model (steady revenue stream, relatively low fixed costs, limited variable costs, recurring sales).

Lastly, the creation of NACON should result in internal synergies:
- sharing of communications and marketing costs;
- a single NACON® brand well known to the consumer market, benefiting both the games and accessories universes.

5.4.3.3.2 Seeking new shared customers

Experience in physical distribution channels for accessories will be useful in seeking new Publishing and Accessories customers:
- NACON has extensive experience in video game distribution channels thanks to its more than 30 years' presence in the gaming market, which just a few years ago was still mainly confined to the physical retail market. It has also entered into many exclusive distribution agreements with well-known publishers, including Square Enix in Benelux;
- the fact that other AA publishers could gradually pull out of the retail market to focus on digital sales could also be a good opportunity for NACON as it already has sells its gaming accessories in the physical market. Without additional cost, new NACON accessories and games could thus fill the emptying shelves:
  - unlike a game that can be downloaded, gamers like to obtain advice about an accessory in a shop before buying, and even try the product out where possible;
  - although the physical video game market will be smaller, it will still be lucrative. Some video game purchasers actually prefer to buy physical games, some because they are collectors and want to keep the 'box', some so that they can sell in the secondary market, and others to offer it as a gift.

5.4.3.3.3 The Cloud as a new growth driver

With the growing power of technology and cloud gaming possibilities, NACON has two additional sources of profitability:

- During the launch phase of the cloud gaming market: increasing competition between the cloud giants to gain market share during the launch phase will give NACON opportunities to negotiate temporary exclusive deals with substantial minimum guarantees, in the same way as agreements already entered into with certain sector operators;

- During the growth and maturity phases of the cloud gaming market: once the market is mature and well established, NACON will be able to exploit its entire line-up of games on all available cloud platforms, thus enabling it to easily address the entire global market.

5.4.4 Conclusion

5.4.4.1 An agile positioning in video games

With digital revenue now at the same level as that of its direct competitors (70.5% of Video Games revenue at 31 March 2020, 40.5% at 31 March 2019),[26] NACON plans to continue insourcing its video games development through its own studios.

As part of its development strategy, NACON intends to continue exploring niche sectors reserved for enthusiasts by seeking to adapt to market trends in order to meet the needs of gamers who are interested in a particular genre.

NACON has the strengths to capitalise on the likely trends in its sector. In addition to its specific positioning as developer and publisher, the Group also regards itself as a leader in gaming accessories with its NACON® brand known to all gamers.

These synergies should enable NACON to offer consumers a full gaming experience.

5.4.4.2 Continuous adaptation to market trends

NACON intends to capitalise on the market's excellent outlook for growth driven by the arrival of new platforms and new gaming methods.

In addition to its positioning as video games developer and publisher, the Group intends to capitalise on various cyclical factors which it believes will drive its business in the next few years:

- boom in eSport;
- increasing number of digital distribution platforms, which will be seeking to offer future subscribers exclusive offers in their online stores. This will benefit the mid AA publishers and particularly NACON, which has a very broad range of games in its line-up;
- new gaming methods emerging with 5G. Both accessories and games should be positively impacted by these new trends;
- physical stores could suffer a decline in sales of AA games due to growing digitalisation: this could provide sales opportunities for its games thanks to its ability to offer a full gaming experience due to its expertise in the physical distribution of accessories.

5.4.5 Objectives

5.4.5.1 NACON's medium-term ambitions

5.4.5.1.1 Become a global leader in AA games

NACON's action plan to achieve this objective is:

- achieve critical mass:
  - by continuing its studio acquisition strategy
  - or through organic growth of existing studios
- continue its strategy of content creation with by investing massively in creating proprietary content (over €120 million in the next three years, which will lead to a change in the average budget per game). This content will enable NACON to:
  - enrich its back catalogue
  - and thus generate digital sales and additional recurring revenue
  - which could potentially significantly improve its profitability
- editorial diversification: new genres and new niches
- seize the opportunities provided by digitalisation:
  - exclusivity agreements with distribution platforms
  - step up 'live ops' - monetisation of existing games through downloadable content (DLC), additional content and functionalities, microtransactions, additional avatars/cars/accessories, subscriptions, etc.

[26] Source: consolidated and combined financial statements in Section 18.1.6. The percentages compare with the market average for the digital share of video game sales, which is more than 60% according to IDG figures.

5.4.5.1.2 International expansion

The international markets represent strong growth potential for NACON, mainly by leveraging the trend towards digitalisation (70% of the market within a few years) to:

- sell more new and old (back catalogue) games on the various world platforms;
- sell accessories in stores worldwide: NACON thus aims to open up the global market (Americas, etc.) and increase its sales in the traditional Retail channels, which will soon suffer from a decline in sales in physical games in their stores.

5.4.5.1.3 Make its brands 'the must haves' by providing a full gaming experience

NACON's proactive brand strategy aims to get the following brand message across to consumers:

- NACON® = essential accessory offering the best value for money for its use (pro or recreational gamer);
- NACON® = guarantee of quality for the games they purchase;
- Big Bad Wolf and Rogue Factor (Cyanide), RaceWard, KT Racing, Eko Software, Spiders = studios with expertise in their field ensuring a true gaming experience for the type of game they like.

5.4.5.2 Quantified targets

These ambitions are reflected in the following quantified targets, which are explained in greater detail in Sections 10 of this URD:

- €140 to 150 million of revenue and an EBIT margin of about 18% in 2020/21;

- €180 to 200 million of revenue and an EBIT margin of over 20% by 2022/23;

5.5 RESEARCH AND DEVELOPMENT, PATENTS, LICENCES, TRADEMARKS AND DOMAIN NAMES

The Group's research and development strategy is as follows:

- for games: develop games with a high technical content to make them as appealing and playable as possible but also under well-known brand names that will encourage impulse buying;

- for accessories: develop innovative accessories that make the game more realistic yet easy for all gamers to handle.

To achieve those objectives, NACON has dedicated teams, patented know-how and powerful technology (for accessories), and registered intellectual property or known trademarks, as well as highly reputed external licences.

Although NACON invests heavily in R&D to preserve its technological lead and in licensing, which is essential to make its products more attractive for sale, it is important to understand that their influence on the Group's overall business or profitability is limited: NACON is not reliant on any particular patents or licences or on new production processes. If it were to lose one of its licences, including the Sony contract (see risk 3.5.2), it would merely be replaced by another, which the Company believes it could do within a reasonable timeframe. Likewise, if old patents were to fall into the public domain, they would only involve old long-obsolete technologies.

For an overall view of NACON's R&D policy, see also:

- accounting policies for capitalising R&D costs set out in the notes to the notes to the consolidated financial statements (Note 2);
- the risk factors likely to be impacted by these R&D aspects:
  - 3.1.1 "Risks related to potential delays in the development and marketing of the main products developed by the Group"
  - 3.1.3 "Risks related to reliance on third party technology"
  - 3.3.1 "Reliance on manufacturers of consoles and games platforms / Risks related to non-

compliance with the technical requirements of console and platform manufacturers"
- 3.4.1 "Risks related to attracting and retaining key personnel"
- 3.5.2 "Risks related to intellectual and industrial property and licensing agreements"

5.5.1 Profile of NACON's R&D teams

The technical development teams for hardware products are mainly based in the French entity NACON and the Hong Kong entity NACON HK Ltd.

The teams mainly comprise electronic, mechanical and quality engineers, industrial designers, project managers, DTP operators and people with specific skills in middleware, a basic principle used increasingly by the Company in its product development. The French teams are also very involved in ensuring that the Company complies with the strictest quality criteria and all relevant standards (electronic products, environment, etc.). The Company has created a specific database to monitor these aspects.

The Hong Kong team is in daily contact with the French teams. They exchange regular reports on progress in product development, including an evaluation of each product, any difficulties experienced, potential improvements and trends in the estimated cost price of the product once industrialised.

In addition to their technological expertise, the teams also have project management skills, using specialist software that ensures good coordination between the teams and strict compliance with development processes.

NACON's general philosophy is to be the first in the market for each of its products, based on a correctly priced high-quality product. Compliance with development schedules is therefore crucial.

5.5.2 NACON's know-how and technology

5.5.2.1 For video games

Technology and expertise

Designing a video game requires the use of many types of technology and the expertise of many specialist employees. It also involves a degree of innovation.

NACON's studios use a broad range of widely available off-the-shelf tools commonly used in the video games world and they may also develop their own software components in-house, which can then be re-used in future projects.

The Company's strategy is to select the best tools available in the market and focus on development software components that give NACON's games real added value.

Among the main off-the-shelf technologies, NACON uses:

- the Unity game engine, a suite of tools that are easier to use than the Unreal engine, and can be used for quick prototyping in the pre-production phase. The cost of a Unity licence is based on the number of users; it is cheaper than Unreal and quickly makes up for its lag in visual output quality. Several games are currently in production using Unity;

- software with specialised functionalities that are compatible with Unreal, Unity and proprietary engines developed by NACON studios: optimised videoreader for games consoles (Bink), reading, real time mixing and sound integration tools (Wwise), character animation and motion capture integration tool (MotionBuilder), quick vegetation display (SpeedTree), real time FX solution for particle effects (PopCorn FX), 3D modelling and rendering app (3DSMAX and Autodesk Maya) and lipsync; and

- Microsoft's integrated software development, optimisation and local and distributed compilation tools (Visual Studio and its plug-ins).

All of this software is easily available in the market, with a single-use licence either per user or per project, without a time limit and with or without royalties payable depending on the number of copies of the game sold.

Alongside this off-the-shelf software, the Company also designs and produces a number of middleware components[27] or suites of tools for complete development of games in segments where it has strong expertise (racing games at Kylotonn, RPGs at Spiders, Hack'n Slash[28] and sports games at Eko). By developing specialised in-house tools in a particular games segment, NACON can achieve a very high quality of production as they are used to develop genres which each have highly specific constraints. The same is true of game engines (KT Engine for example) and the related universes (e.g. *Greedfall*).

The Company's teams work by game but also by area of expertise, enabling it to capitalise on and develop each skill area in the design and technical process (programmers, sound engineers, image specialists, producers, artistic managers, game designers, writers, animators, testers, directors, graphic designers, etc.).

5.5.2.2 For Accessories

Technical expertise

NACON is known for its technological expertise and know-how, enabling it to make the most of the opportunities in the gaming accessories market.

It is especially well known in the gaming accessories market for its information transmission technology, particularly by radio frequency, a technology that is integrated in many of the Company's products. NACON has used this technology in video games since 2002 and it has been a driving factor in market growth in wireless controllers.

To adapt to trends in consoles, NACON has developed specific accessories to improve some flagship products over the past few years, such as accessories for the Nintendo Wii, by combining Bluetooth with radio frequency.
NACON has historically specialised in combining video games and accessories which are perfectly adapted to each other. Its technical expertise in terms of mechanics, electronics and connectors is thus expressed to its full based on extremely precise specifications.

In the handheld console market, NACON's products meet the needs of gamers in terms of their quality, simplicity and ergonomics. These skills derive from the Company's expertise in resistivity of materials, micromechanics and connectors.

Lastly, NACON has also proposed some innovative solutions for charging controllers. Having developed a product to charge controllers using a USB cable instead of an electrical cable, it then addressed the issue of protective silicon covers, which prevented the controllers from being charged on their docking station.

Illustrating its ability to adapt to market requirements, NACON was one of the first companies to work with induction-based technology and to develop direct applications in the world of gaming accessories. It also developed an induction-based technology enabling wireless charging of controllers through their silicon cover via electromagnetic waves that do not need physical contact with the batteries inside the controller. This technology was then adapted by the mobile phone industry to develop induction-based chargers for smartphones.

Apart from the know-how and technologies referred to above, it is important to note that the Company pays attention to complying with the strictest standards (see Section 9 of this URD). Furthermore, the Company keeps a very close eye on technological changes enabling it to capitalise on any developments that can be applied to its business.

5.5.3 Patents, models, licences and trademarks

5.5.3.1 Patents and models

NACON has registered a large number of patents over its innovative products as well as various drawings

[27] Software that lies between an operating system and the applications running on it.
[28] RPG involving battling against hordes of monsters.

and models for a broad range of accessories and audio products. The Company has its own legal department and is also supported by expert industrial property advisers to preserve its interests.

Accessories account for most of these patents. The Pro Controller in its various versions is a good example of this; it is the result of twenty years of experience and research and development in this area, combining a distillation of both software and hardware technologies, thus meeting the demanding standards of licensing company Sony, in particular.

NACON now holds patents over its console cases, immersive accessories for video games, immersive fitness accessories for video games, equipment and processes for limiting play time on consoles, a driving simulator, etc. Latterly, the Group developed a new crosshair cursor control process for controllers and games console display elements.

All in all, at 31 March 2020 the Group has 90 separate patents, including 35 covering the Revolution controller.

In addition to its registered patents and patent applications, the Group also protects its designs by registering many models of its products available in the market. Thus NACON now has some one hundred proprietary models covering controllers, protective covers or cases for handheld consoles, keyboards, earbuds and headphones, etc.

5.5.3.2 Licences

Video games

The Company has a number of licences for its publishing business. Through their historical partnerships, the studios also give NACON access to some prestigious licences:

- *Tour de France*® and Games Workshop (*Blood Bowl*®, etc.) for Cyanide.

Other licensing agreements may be entered into on an ad hoc basis for acquiring rights to use video games matrices in the Publishing business. NACON pays royalties to the publishers or developers for which it distributes and/or publishes the games, as the case may be. NACON also has a licence for the game matrix and manages the inventory risk at its discretion.

Gaming accessories

The Company has a number of licences for its Accessories business.
- Sony: for developing a range of controllers for PlayStation® 3 and PlayStation® 4 consoles;
- Microsoft Corporation: for developing a full range of accessories for the Xbox 360 and Xbox One consoles;
- Nintendo: for developing a full range of accessories for the Wii console, a licence that also covers the development of accessories adapted to the Nintendo DS and Nintendo Switch™ consoles.

Under these licensing arrangements, the Group is under no circumstances acting as a sub-contractor to the console manufacturer but is an independent developer of its own accessories which it sells with the agreement of those console manufacturers.

Lastly, NACON may enter into exclusive distribution agreements with product and/or games suppliers, such as Square Enix.

As a general rule, NACON's licences cover Europe with an extension for other countries in the PAL region (Australia, New Zealand, Gulf countries, Asia and Japan).

For those products, licences granted generally go beyond the European borders (Japan, Asia, etc.).

5.5.3.3 Trademarks

During its development, NACON has built up a large portfolio of trademarks enabling it to address a broad array of audiences.

All in all, at 31 March 2020 the Group had more than 120 trademarks for its gaming accessories or known trademarks in the video games universe, covering various countries.

Video games

As explained in Section 5.4, NACON has many of its own or licensed trademarks, which are very popular with gamers and an excellent driver of sales. The Company plans to continue using these trademarks in future video game releases.

Own trademarks:

- *V-Rally*
- *Test Drive*
- *Styx*
- *Pro Cycling Manager* (game selling over 100,000 copies for each release)
- *The Council*

Licensed trademarks:

- *Warhammer®*
- *WRC®*
- *Tourist Trophy Isle of Man®*
- *Tennis World Tour*
- *Test Drive's* 100 licensed prestige car marques
- Many known brands (Winchester rifle, etc.) used in fishing and shooting games
- Top 14/Pro D2 in rugby games.

Highly reputed studio tradenames:

- Big Bad Wolf and Rogue Factor (two of Cyanide's secondary studios based in Bordeaux and Canada, each specialising in a different type of game);
- KT Racing (Kylotonn);
- RaceWard Studio (Lunar Great Wall Studios);
- Eko Software;
- Spiders = studios with expertise in their field giving gamers a genuine gaming experience for the type of game they like.

The reputation of these studios is such that their names can almost be considered as a 'trademark' and the studios as writers. A fan of a game developed by a studio which has its own universe (characters, environment, special effects, etc.) knows the studio's name and will be more inclined to buy another game developed by that studio.

Gaming accessories

Since 2014 the Group has restructured its product range and premiumised its products, culminating in the creation of the NACON® brand. Thus, having built the reputation of the Bigben® brand on the values of simplicity, accessibility and innovation in order to provide a range of useful, sleek yet affordable products to as many consumers as possible, the Group then invested in the premium segment for each of its markets and core segments. The NACON® brand is now firmly positioned in the premium segment, while continuing to appeal to the mass market, therefore guaranteeing the stability of its business.

NACON's brand strategy aims to get the following brand message across to consumers:

- NACON® = accessory offering the best value for money for its use (pro or recreational gamer);
- NACON® = guarantee of quality for the games they purchase.

5.6 COMPETITIVE POSITION

As explained in Section 5.4, NACON is positioned as follows:

- AA publisher of video games;
- manufacturer of premium products in its Gaming Accessories business.

However, to the Company's knowledge, no other competitor apart from the console manufacturers offers consumers both accessories and games.

5.6.1 NACON's positioning in the AA segment

The gaming industry majors (Ubisoft, Electronics Arts, Activision, Square Enix, etc.) only publish AAA games with huge investment budgets that account for the lion's share of global sales (e.g. success of the FIFA game).

The Group focuses on lower outlay niche games in the AA segment. There are currently no available statistics on this AA segment. It comprises some 15 competitors worldwide:

- France: Focus Home Interactive;

- International: Paradox Interactive AB in Sweden, Embracer Group (ex THQ Nordic AB) in Sweden, Team 17 plc in the United Kingdom and 505 Games in Italy.

NACON also competes with indie studios that are also publishers, such as French studio Quantic Dream.

5.6.2 NACON's positioning in gaming accessories

There are no global statistics on market shares of gaming accessories manufacturers as they do not offer comparable product ranges.

NACON considers its major competitors to be:

- Guillemot Corp SA: specialist in Racing and manufacturer of many racing steering wheels;
- Astro Gaming (Logitech subsidiary): manufacturer of PC accessories;
- Razer Inc.: manufacturer of PC accessories;
- Performance Designed Products LLC (PDP);
- POWERA (BD&A's gaming accessories subsidiary);
- HORI.

5.7 INVESTMENTS

5.7.1 Main investments made by the Group

To achieve its ambitious objective of becoming one of the world's leading AA publishers with a broad content games line-up, NACON has focused on investing in increasing its video game development production capacity.

Its main investments have thus been in:
- acquiring interests in development studios; and
- allocating bigger R&D budgets to developing new video games.

5.7.1.1 Development studio acquisitions

Having initially developed its publishing business by subcontracting to external development studios, the Group's approach has evolved in the past two years, with the acquisition of several development studios, including 100% of Kylotonn Games (remaining interest not held at October 2018), French studios Cyanide (June 2018), Eko Software (October 2018) and Spiders (September 2019), as well as an interest in RaceWard (Lunar Great Wall Studios) based in Milan.

See notes to the financial statements "Change in scope".

5.7.1.2 R&D expenditure

During the past few years, the Company's investment budgets have increased to support its strategy in video game development. They accelerated sharply in 2015/16, a trend that has continued in the past three financial years.

Game development costs amounted to €21.2 million in 2017/18, €33.0 million in 2018/19 and €35.8 million in 2019/20.

These budgets were divided into three main items:

- Staff costs of employees assigned to the research and development of new products and the related additional charges, which amounted to €2.6 million in 2019/20 (versus €2.9 million in 2018/19). None of these expenses are capitalised.

- Development costs of games published by NACON, whether developed in-house or outsourced, which amounted to €32.8 million in 2019/20 (versus €29.4 million in 2018/19). In the medium-term, the Company intends to invest further in game development, reaching €40 to 50 million a year as of 2020/21.

Trends in capex

Capex in €m	31/03/2020	31/03/2019	31/03/2018
Game development costs	32.8	29.4	18.0

Average development costs per game are estimated at about €2 million in 2019/20 (€33 million of capex for some 15 games).

- Costs related to the legal protection of the Group's developments amounted to €0.5 million in 2019/20 (versus €0.7 million in 2018/19); NACON also devotes an increasingly large amount of operating expenses to protecting its developments (registering patents, trademarks and models).

5.7.1.3 Other investments

During the past few years, NACON's other investments have focused on developing innovative products in the Gaming Accessories business (NACON® controller for PC and Revolution Pro Controller under licence for Sony's PlayStation® 4) as well as the acquisition of reproduction rights relating to the video game Publishing business (*Warhammer®*, *Tennis World Tour*, etc.).

These investments contribute directly to the Company's strategy as they enable it to increase the development of its own products, which are distributed either under the NACON® brand or through trademark licences.

Apart from these in-house developments of new Accessories, in February 2020 NACON announced the acquisition of the RIG™ premium brand and the RIG™ gaming headsets business. The acquisition was completed on 20 March 2020. Two companies were created to market RIG™ products in the USA and Australia.

This deal will give NACON a foothold in the world's largest market for this type of business and the ability to market all of its dedicated Gaming products more efficiently.

5.7.2 Main ongoing or future investments

NACON now intends to focus on investing in the development of video games that are already in its line-up, and on new games currently under development or future games not yet announced. At 31 March 2020, NACON thus had 19 games under development, including 14 in-house in its own studios and 5 in external studios, for a total amount of €51 million.

For the moment, therefore, NACON does not intend to make other significant investments for which the Company's management bodies have made firm commitments, although the Group will keep an eye on any external growth opportunities that fit with its strategic objectives.

Any such investments will be self-financed or funded by bank loans or new share issues.

5.7.3 Information about equity interests

Apart from its wholly owned subsidiaries and the 43.15% interest in RaceWard studio (Lunar Great Wall Studios), NACON does not own any interests in companies likely to have a significant impact on the valuation of its assets and liabilities, its financial position or its earnings.

5.7.4 Environmental factors

The Group aims to apply a sustainable social, environmental and economic policy in all its business activities. Its strategy includes a set of social and environmental requirements in response to the sustainability challenge.

Non-financial statement (NFS)

1. Introduction

Government order 2017-1180 of 19 July 2017 and decree 2017-1265 of 9 August 2017 implement European directive 2014/95/EU and amend Article 225 of the French Code of Commerce, which requires companies covered by its scope of application to report employee-related, environmental and social information in their management report. The NACON Group does not yet fall within the scope of these regulations and is therefore not legally required to prepare a non-financial statement for 2019/20, but has decided to do so voluntarily.

The non-financial statement is structured into four parts addressed in the following sections:

- Description of the Group's business model;
- Description of the key non-financial risks inherent in the Group's business or the use of its products and services, resulting from the materiality analysis performed by the Group;
- Policies implemented to manage those risks;
- Outcome of the policies pursued.

2. Business model

The main elements of the Group's business model have already been largely described in Section 5 of this URD. However, for the sake of clarity and to avoid numerous cross-references or cross-reference tables, the Group has elected to give a summary description of its business model in the following tables.

2.1. The NACON Group's market

The NACON Group addresses the video games (gaming) market, trends in which are as follows:

2.2. The NACON Group's value creation model

NACON'S VALUE CREATION

RESOURCES

Human capital

512 employees across 10 countries
Training budget: 0.3% of payroll

Intellectual capital

A large R&D team and substantial R&D expenditure

"Manufacturing" capital

Heavy annual investment in developing new games
Production capacity of 8 in-house studios and 12 partner studios capable of developing almost 30 games on a continuous basis and launching 10-15 games per year

Financial capital

A robust financial structure
Net cash surplus of €42.8 million

Social capital

Many internships and work/study contracts available
Many partnerships with local organisations (schools, associations, etc.)
A global supplier network
An anti-corruption code of conduct in preparation

Environmental capital

Purchase of ROHS and REACH compliant products
Hybrid cars account for 37.5% of NACON SA's vehicle fleet in 2019/20

OPERATIONAL EXCELLENCE

Product and marketing innovation: a core component of the Group's strategy since the outset

Thanks to the dedicated R&D and Marketing teams with their in-depth understanding of consumer needs and talented development studios with recognised expertise in the target genres: Racing, Sports, Simulation, Adventure, Action, RPG and Narrative.

The quality of the games is reflected in customer satisfaction

Bigben works with the best to develop its products:

Example:
An ambassador and influencer programme to strengthen credibility and pro gamer endorsement of the games to casual players
The ambassadors assist in product design: for example, pro gamer Kayane took part in designing the Daija Arcade Stick

As a reminder, Bigben was a pioneer in:
Gaming accessories
NACON Revolution controller: development of a suitable algorithm to gain access to new capacities specific to the pro gaming world
- multiplayer radio-controlled wireless controller
- early development of induction-based battery charging for Gaming accessories

GROWTH STRATEGY

NACON'S STRATEGY: Build the foundations for future growth to generate €180-200 million of revenue by 2023

GAMES: Accelerate development costs to create tomorrow's more profitable games

ACCESSORIES: International expansion and continued innovation

VALUE CREATION

Human capital

164: number of new hires between March 2019 and March 2020

Intellectual capital

Innovative, margin-generating products
Many patents registered

"Manufacturing" capital

Excellent scores (Metacritic, etc.) for recently-released video games

Financial capital

Target EBIT margin of over 20% in March 2023
Future dividend payments

Social capital

Many indirect jobs created in the upstream activities of the value chain (suppliers and service providers)
An anti-corruption code of conduct in preparation - circulation to all Group employees and major commercial partners in

Environmental capital

Reduction in business travel through increased use of confcalls; home working arrangements during lockdown
Preference for sea freight

3. Key non-financial risks inherent in the Group's business or the use of its products and services

The key risks to which the NACON Group is exposed are presented in Section 3 of its URD. A special focus is placed on the main non-financial risks covering the following areas:

- Employee-related
- Environmental
- Social
- Human rights
- Anti-corruption and tax evasion

In Sections 3 to 8 below of this Section 5.4.7, the Group describes how its non-financial risks in each of those areas are addressed by policies and reasonable due diligence procedures, providing key performance indicators where appropriate. Appendix 9 on methodology provides information about how those key performance indicators are calculated.

Bigben Interactive, as parent company of the Bigben Group and parent company of the NACON sub-group, has been a member of the UN Global Compact since 2016 and renewed its membership in 2019. All of the Group's subsidiaries, including NACON, are covered by its membership.

The relationship between non-financial risks, policies pursued to mitigate them and key performance indicators used to monitor the outcome of those policies are set out in the summary table below.

Links between non-financial and political risks, implementation of indicators and results

Risk	Description of risk	Materiality of net risk	Policies pursued to manage those risks	Outcome of the policies pursued: Key performance indicators	Units	Period	Scope
EMPLOYEE-RELATED							
Health and safety of employees and third parties in the workplace	Deterioration of well-being at work and health and safety conditions leading to accidents or illness among employees or third parties	High	During Covid-19 (from March 2020): Home working or other arrangements for employees during lockdown (child care leave, etc.); Encouraging employees and third parties to take contact precautions in the workplace (social distancing obligatory, provision of hand sanitiser, distribution of masks, posters about washing hands, etc.)	N/A	N/A	From end-March 2020	Group
			Continuous attention to safety standards both in the warehouse and office premises	Number of occupational accidents with time off work	No.		
Development of human capital	See Section 3.4.1 Departure of talent, management of unsuitable skills and human resources	High	New NACON SA Paris office opened in 2019 to attract and retain talented people in the Paris area; Recruitment of a new head of Human Resources for NACON SA employees; Employees of all business activities at the heart of the Group companies' human resources policies; The rise in the "number of joiners" indicator shows that the Group is still attractive.	Total headcount at 31 March 2020 and breakdown by gender	No.	01/04/2019 to 31/03/2020	
				Number of joiners	No.		
				Number of leavers	No.		
				Average compensation per employee	I		
				Average number of training hours per employee	Hours		
				% of average headcount trained	%		
Quality of life at work and diversity	Discrimination, deterioration of employee rights and working conditions	Low	The Group endeavours to avoid all forms of discrimination; Measures taken to improve the working surroundings of Group employees.	Headcount by gender, category, geographical area, age bracket	No.		
				Number of days absence / Absenteeism	No. / %		
				% of women by responsibility level	%		
				% of employees with disabilities	%		
				Monitoring of collective agreements having impacts on the company's financial performance and on employee working conditions	N/A		
ENVIRONMENTAL							
Energy management: over-consumption	Inefficient energy performance leading to excess consumption in buildings No renewable energy sources in energy consumption leading to a negative environmental impact	Low	No manufacturing plants. Only a logistics centre within Bigben Interactive; Limited energy costs.	Electricity consumption	kWh	01/04/2019 to 31/03/2020	Group
				Natural gas consumption	m^3		
				Water consumption	m^3		
Resources and waste management	High waste production, wastage, failure to factor in the life cycle of resources and raw materials used	Low	Main waste is packaging material (cardboard, etc.) which is already recycled; Circular economy; Combating food waste.	Paper and cardboard consumption	Kg		
				Amount of paper and cardboard recycled	Kg		
Environmental impacts: high greenhouse gas emissions	Contribution to climate change through greenhouse gas emissions in all product supply chains: from the manufacturing plant to the end consumer	Low	Focus on sea freight; Hybrid cars make up most of the car fleets of the 3 French subsidiaries; Business travel policy; Goods transport management.	Scopes 1 and 2 CO2 emissions arising from energy consumption of buildings	TCO_2eq		
SOCIAL, ACTION IN FAVOUR OF HUMAN RIGHTS							
Supplier and service provider management	Failure to comply with responsible purchasing policies; social, environmental and ethical risks related to the activity of suppliers and sub-contractors; dangers for service providers	Low	Careful selection of suppliers (audits of manufacturing plants and selection of transport companies with excellent CSR scores); Membership of the UN Global Compact; Provisions of Sapin II anti-corruption law in course of implementation.	Monitoring manufacturing plant audits (social data)	N/A	01/04/2019 to 31/03/2020	Group
				Monitoring transport companies' CSR policies	N/A		
				Monitoring the UN Global Compact principles	N/A		

4. Employee-related risks, policies pursued and outcomes

The Group has taken measures to mitigate the three employee-related risks referred to in Section 3.

4.1. Health and safety of employees and third parties in the workplace

Following the emergence of Covid-19, this risk has been assessed by Management as "high". Many measures have been taken to mitigate it, as described below.

4.1.1. Health and safety in the workplace

It is important to note that the Group's business activities generate limited occupational risks.

In France, the various Macron laws have introduced a new staff representative body called the Social and Economic Committee to replace the former Health and Safety Committee. For NACON SA, the change was made in January 2020.

NACON, which was founded in the second half of 2020, will continue to pursue the risk prevention policies pursued by the Bigben Group, mainly by revising and updating a single document validated by the Social and Economic Committee. As a video games publisher and gaming accessories designer and developer, the physical risks that can be identified are related to the nature of the business (sedentary tertiary activity) and to business travel (accidents).

Furthermore, it is important to note that the Group's business activities generate limited occupational risks.

During the past year, some of NACON's employees have also been trained in safety procedures. This initiative will be renewed during 2020.

Many other initiatives or obligations exist locally to prevent potential health risks:

- The German subsidiary Bigben GmbH is a member of the BAD association, which is responsible for ensuring that proper procedures are in place to avoid occupational accidents.
- In Belgium, the subsidiary is affiliated to CESI (external occupational prevention and protection service) for occupational health care. However, the subsidiary now only has employees who are not covered by the mandatory medical check-up requirement.
- In Italy, the risk assessment document (DVR) is updated regularly even though the risk is limited and employees regularly receive safety training and medical check-ups.
- In Spain, the subsidiary complies with law 311995 of 8 November 1995 which regulates occupational risks in the workplace and supervision of employee health. It has outsourced this service to FREMAP.
- In Asia, the company complies with the Occupational Safety and Health Council regulations.

Focus on measures taken to protect employees and third parties from Covid-19

The health and safety of its employees is a major preoccupation for the Group.

Apart from the specific work organisation measures described in 4.3.1, the Group took the following measures to protect the health of its employee during the Covid-19 crisis:

- Putting the majority of its employees on home working or short-time working arrangements as soon as the lockdown order was announced in each country in Spring 2020 and introducing contact precautions, wearing of masks and social distancing for all employees whose jobs could not be done from home;

- Implementing a radical lockdown exit plan as of May 2020 to protect the health of its employees and third parties upon their return to the workplace and enabling a gradual resumption of business in compliance with health prevention regulations. The Group's lockdown exit strategy was based on various pillars:
    - Prevention and strict compliance with contact precautions
    - Communication and dialogue
    - Policy for mask wearing in the workplace
    - Adapting working arrangements and work spaces
    - Stepping up cleaning and disinfection measures

4.1.2. Agreements on health and safety in the workplace entered into with the trade unions or staff representative bodies

No such agreements were entered into during the financial year by the Group's various companies.

4.1.3. Occupational accidents (frequency and severity) and illnesses

The Group is attentive to its employees' health. Thanks to the prevention measures implemented by the company and the relatively low exposure of its business to occupational accidents, it only suffers a limited number of accidents both in frequency and severity.

Occupational accidents (frequency and severity) and illnesses	NACON GROUP	
	31/03/2020	31/03/2019
Number of accidents with time off work	1	3
Number of accidents without time off work	1	0
Number of commuting accidents	4	2

4.2. Development of human capital

The Bigben Interactive Group employs creative talent to publish original video games and develop innovative Gaming accessories. As such talent is highly sought after, the Group is exposed to potential poaching from other companies should its skills and human resources management prove inappropriate.

4.2.1. General trends in the Group's workforce

Attracting, development and retaining talent is a key success factor for the Group. It therefore endeavours to give its employees opportunities to progress, learn and develop their skills and expertise.

At end-March 2020, NACON had 512 employees versus 378 at end-March 2019. Headcount rose sharply following the acquisition of Spiders, the interest in RaceWard and the creation in 2020 of Nacon Gaming Inc. (USA), which together employed 66 people worldwide at 31 March 2020.

The breakdown of headcount by business remained stable over the period, apart from Publishing which took on the new employees referred to above. This change aimed to address the Group's need to acquire the skills and people essential to its development, particularly in these core businesses under its new strategy.

Total headcount and breakdown by gender, age and geographical area	NACON Group			
	31/03/2020		31/03/2019	
	Number	%	Number	%
TOTAL HEADCOUNT	**512**		**378**	
Breakdown by business:				
Gaming	434	84.7%	311	82.4%
Mobile	2	0.4%		
Audio	8	1.5%	10	2.6%
Logistics	7	1.4%	8	2.0%
Administration	62	12.1%	49	13.0%

(Some distribution subsidiaries that were not carved out at the time of the spin-off to NACON SA of Bigben Interactive SA's Gaming business have employees dedicated to Mobile or Audio).

4.2.2. Joiners and leavers

Special attention is paid to recruiting new employees as they represent a strength for the company in a rapidly evolving business environment. New people were recruited during the year for the Publishing and marketing activities, more particularly at the Paris premises opened in September 2018 to facilitate recruitment in areas where good people are hard to come by.

In 2019/20, 165 employees joined the Group and 67 left, including one dismissal.

Joiners and leavers	NACON Group	
	31/03/2020	31/03/2019
Total number of external joiners	165	85
Leavers	67	71
Of which dismissals:	*1*	*6*

As well as recruitment websites. the Group may also use social media and headhunting agencies to source suitable candidates.

4.2.3. Compensation and trends in compensation

The Group's compensation policy aims to reward skills, stimulate creativity, encourage employee performance and retain talent.

Salary increases are granted mainly as a result of individual negotiations, based on skills development and/or on new responsibilities assumed.

- At NACON in France, salary increases are approved during mandatory pay negotiation meetings. The provisions of the French Labour Code apply and incentive plans and employee savings schemes are in place. Employees of the French subsidiaries therefore have a long-term vested interest in the development of their company and its results enabling them to build up a capital sum through a tax-efficient employee savings plan. Lastly, employees have benefited from the so-called "Macron bonuses" granted over the past two years.
- In Benelux, salary increases are based on a government index and on individual negotiations. The company also belongs to Joint Committee 200 and complies with the agreements negotiated by it.
- In Germany, in the manufacturing sector, negotiations take place between the employer organisation WIGADI and the trade union VERDI. Bigben GmbH also has an annual appraisal system and organises two information and consultation meetings with staff a year.
- In Italy, salary increases are based on individual negotiations (annual appraisals based on responsibilities and skills development). Individual bonuses may also be granted based on the subsidiary' results. The company also complies with CCNL regulations (national collective employment agreement) applicable to the Retail sector.
- In Spain, the subsidiary complies with the collective agreement and conducts individual negotiations.
- In Asia, salary increases are based on inflation in the relevant countries and on individual performance.

All of the Group's entities comply with their social security and tax obligations in terms of employee compensation and benefits.

Salaries and promotions *in thousands of euros*	NACON GROUP 31/03/2020	 31/03/2019
Salaries for the year	16 202	14 019
Social security contributions	6 344	4 990
Average Salary by employee	**32**	**37**

The average gross annual salary of a NACON Group employee was €32,000 in 2019/20. This is lower than the previous year due to the full-year contribution of the new, younger and less experienced employees hired by the studios.

NACON SA and Bigben Belgium employees also receive other benefits, including luncheon vouchers and, in Belgium, pension savings insurance.

Furthermore, employee share ownership is an excellent way for the Group to give all its employees the opportunity to share in the company's success. Thus, medium to long term compensation may also be granted to the top performing employees or to all employees as part of an active retention strategy. In the past (2008, 2010 and 2011), this has been reflected in the award of free shares or share warrants at the initiative of its parent company Bigben Interactive, and was renewed in four new performance share plans covering all employees in 2016, 2017, 2018 and 2019, subject to continuing service and performance conditions. The Group may offer further plans of this type in the future.

4.2.4. Training

- **Training policies**

In businesses and sectors where continuous innovation, technological progress and expertise are key success factors, training of all kinds is clearly a priority.

A company's value lies in its human and intellectual capital. Rapidly evolving technology is a key feature in the Group's business sector and training is therefore an important issue. The aim is to guarantee the employability of all its employees and the development of their skills and knowledge. In such a sector, it is crucial for employees to keep their knowledge up-to-date in a continuously evolving market. The training policy aims to reconcile the company's needs with the career aspirations of its employees, to find a balance between the individual needs expressed during the annual appraisals and the company's economic profitability challenges.
The policy is implemented through individual actions and through collective training plans. Training needs expressed are validated by management based on their importance for the company's development.

The NACON Group's main training themes in 2019 were:
- personal development and communication;
- business and technical;
- languages;
- office systems;
- health and safety;
- legal;
- marketing;
- taxation.

Throughout the year, employees are also invited to attend training sessions, seminars or conferences in their areas of expertise run by partners (lawyers, trade unions, chambers of commerce, banks, external service providers, conferences in schools, etc.).

The Group complies with the regulatory framework in such matters and pursues a policy designed to tailor employee skills to the expected evolution of the Group's business activities.

- **Total number of training hours**

In 2019/20, the NACON Group's training expenditure represented 0.3% of its total payroll. Thus, 48 employees received at least one form of training, i.e. almost 9.4% of the Group's average headcount. The average number of training hours per employee was thus 2 hours.

	NACON GROUP	
	31/03/2020	**31/03/2019**
% of payroll devoted to training	0.3%	0.6%
Training expenditure (€)	52,891	82,573
Total number of employees trained	48	53
% of average headcount trained	**9.4%**	**14.0%**
Total number of training hours	1,107	1,508
Average number of training hours per employee	**2**	**4**
% of employees receiving an annual appraisal	16.6%	25.9%

Although the legal training plan requirement is only 0.1% of total payroll in France, NACON Group companies spent 0.3% of their total payroll on training in 2019/20 and intend to increase this amount next year.

As there is no specialised training in the video games business on a global scale, training often takes place in-house, which explains the fall in this indicator over the past few years, a period when many employees joined the Group following the acquisition of the development studios.

4.3. Quality of life at work and diversity

The Group employs creative talent to publish original video games and develop innovative Gaming accessories. All employees are given the opportunity to develop their skills and entrepreneurial capabilities, encouraged by people who are passionate about their business. This ongoing creativity is expressed not only in the development of new products, but also in the day-to-day working environment.

Employee well-being is one of the core pillars of the Group's overall strategy. The working environment and working time arrangements play a fundamental role in well-being.

4.3.1. Policies pursued

- **An adapted working environment**

The Group endeavours to develop an appropriate environment in all of its subsidiaries, with many work spaces adapted to everyone's needs (meeting rooms, relaxation areas, cafeterias/refectories) coupled with pleasant surroundings. For example, NACON's Lesquin head office has a large glazed courtyard with exotic plants.

The Group also focuses on open space working wherever possible to encourage teamwork and facilitate communication, with managers always available to their teams.

The Group fosters the well-being of its employees by organising and financing various social events during the year to create a genuine relationship with its employees ("Christmas sweater" day, Christmas party, seminars organised by some departments or companies, restaurant invitations, photo shoots with the children of volunteer employees, etc.).

- **Working time arrangements**

The Group's policy is to allow employees some flexibility in their working time arrangements while complying with the applicable local legislation:

In normal times:

- In France, the legal 35-hour working week applies to the company's employees. The organisation of this working week is defined in a 35-hour working week agreement and varies according to the company's departments.
- In Benelux, the week consists of five days of 7.6 hours, i.e. 38 hours a week. The reduction in working time is confined to 33% of the workforce per department in the form of a rolling schedule with the option of taking one day a week in home working.
- In Germany, the working week is 38.5 hours (agreement with VERDI/NRW trade union) with a daily break of 45 minutes.
- In Italy, the working week is five 8-hour days with a daily break of one hour.
- In Spain, the working week is 40 hours.
- In Asia, there are no regulations, as these countries are currently at the stage of drafting applicable laws. Bigben gives its Asian employees between 12 and 15 days annual leave.

  During the Covid-19 lockdown (from mid-March 2020), all subsidiaries took measures to protect the health of their employees, by encouraging home working or other job protection measures introduced by their respective governments (e.g. short-time working, sick leave, etc.).

In France, the Group reorganised its business during the Covid-19 crisis to protect the health and safety of its employees. Departments that could continue to operate through home working arrangements did so. Other departments had to shut down during lockdown and therefore adopted short-time working arrangements. Short-time working reflected two different realities: either complete shut-down or a reduction in normal working hours.

- During this period, NACON was able to put approximately just under one third of its employees on short-time working, with a few exceptions where employees had children to care for, but continued to operate mainly through home working.
- The development studios operated with a home working rate of more than 90%.
  The same trend was identified in the international distribution subsidiaries.

- **Employee relations**

  - **Staff information and consultation, negotiation procedures**

Social dialogue is the responsibility of staff representatives in countries where this is provided for by law.

- In France, the various Macron laws have introduced a new staff representative body called the Social and Economic Committee (CSE). The CSE is a new organisation that combines the three existing staff representative bodies: the trade union delegates, the works council and the health and safety committee. Its role is to express the voice of the employees and to take their interests into consideration in decisions relating to the company's management and business and financial developments, working arrangements, professional training and production techniques. At NACON, a CSE was created and its members elected for a four-year term in January 2020. Meetings take place every two months.

- In Germany, cooperation between the social partners such as employers and trade unions is of the utmost importance. The trade unions are free to negotiate and form alliances as they see fit. The company is included in the structure covering the tertiary sector. Negotiations take place between the employer organisation WIGADI and the trade union VERDI. Bigben GmbH organises two staff information and consultation meetings a year. Collective bargaining agreements are entered into with the trade union VERDI.

The subsidiaries in Benelux, Spain, Italy and Asia do not have trade union representation due to their small workforce. However, they comply strictly with the relevant legislation in their respective countries;

- Bigben Benelux belongs to Joint Committee 200 and applies the agreements negotiated by it.
- Bigben Italy complies with the CCNL regulations (national collective employment agreement) applicable to the Retail sector. Under Italian law, internal agreements that differ from those imposed by the CCNL may be negotiated. They are known as "integrative agreements".
- Bigben Spain is covered by the collective agreement for the Wholesale industry no. 28014085012007.
- There are no collective agreements in Hong Kong.

  - **Report on collective agreements**

The Group complies with the collective regulations applicable to its business, over and above local employment law, national and industry agreements. In France, NACON SA is covered by the collective agreement for the Wholesale industry no. 3044. The development studios are covered by the Syntec collective agreement no. 3018 (technical design firms, engineering consultants and consulting firms). No collective agreements were entered into during the year.

4.3.2. Outcomes

- **Absenteeism**

The increase in absenteeism in absolute terms compared with the previous year was mainly due to the change in scope of consolidation and the full-year effect of the acquisition of the new development studios. Annual absenteeism remains extremely low at 2.4%.

	NACON GROUP	
In days	**31/03/2020**	**31/03/2019**
TOTAL NUMBER OF DAYS ABSENTEEISM	**2,926**	**2,015**
Sick leave	1,417	1,327
Maternity leave	182	83
Occupational accidents and accidents between home and work	9	19
Unpaid leave	997	376
Paternity/parental leave	322	211
ABSENTEEISM	**2.4%**	**2.3%**

Days absence are defined in business days.
Occupational accident = fatal or non-fatal accident occurring during or due to work according to local practices. Occupational accidents taken into consideration are those declared to and being handled by the competent authorities.
Absenteeism is based on end-of-period headcount and a year of 235 business days.

- **Equal treatment**

Diversity within the Group is inherent to the creativity and innovation the company needs to stay at the cutting edge of innovation and technology. The process of publishing a video game or developing a gaming accessory requires a team of people from a diverse range of backgrounds and training to work well together. Cultural, gender and age diversity is a source of creativity and helps the teams to better understand consumer expectations and address their needs worldwide.

- **Policies to combat discrimination**

<u>Total staff and distribution by gender, age and geographical area</u>

		NACON GROUP			
		31/03/2020		31/03/2019	
		Qté	%	Qté	%
TOTAL HEADCOUNT		**512**		**378**	
Distribution of Headcount by:					
TYPE OF EMPLOYMENT	Full Time	489	95.5%	355	93.9%
	Part Time	23	4.5%	23	6.1%
STATUS	Executive	226	44.1%	132	34.8%
	Other status	286	55.9%	246	65.2%
TYPE OF CONTRACT	Permanent contract	457	89.3%	325	85.9%
	Fixed-term contract	55	10.7%	53	14.1%
	Others (temporary work, work placements) (1)	24		35	
GENDER	Women	120	23.4%	87	23.1%
	Men	392	76.6%	291	76.9%
GEO. AREAS	France	376	73.4%	281	74.3%
	Rest of Europe	83	16.2%	54	14.3%
	Asia	11	2.1%	8	2.1%
	Others	42	8.2%	35	9.3%

(1) *Excluded from total number of employees*

The breakdown of headcount by employment contract type and by gender has changed radically over the period to address the Group's need to acquire the skills and people essential to its development, particularly in the gaming business core to its new strategy. This resulted in an increase in permanent contracts and managerial grade staff. Fixed-term and apprenticeship contracts may be used as a recruitment tool with a view to their subsequent conversion to a permanent contract.
At 31 March 2020, the non-French subsidiaries represented about 26.6% of the Group's total workforce versus 25.7% at 31 March 2019. The employees of those subsidiaries have local employment contracts.

The Group does not have a specific policy but encourages cultural diversity.

It operates in 10 countries across several continents and fosters the cultural diversity crucial to obtaining a sound understanding of consumer needs and better adjusting its products to cultural differences.

- **A balanced age pyramid**

The breakdown of the workforce by age is as follows:

<u>Age pyramid</u>

		NACON Group			
		31/03/2020		31/03/2019	
Age bracket	25 and under	72.3	14.1%	52.5	13.9%
	26 to 35	232	45.2%	172.5	45.6%
	36 to 45	128	25.1%	90.3	23.9%
	46 to 55	64	12.4%	47.0	12.4%
	56 and over	16.2	3.2%	15.8	4.2%

The Group has employees in all age brackets. However, 83.4% of them fall into the 20-45 age bracket reflecting a young workforce consistent with the young video games industry.

The profile remains broadly stable due to the offsetting effects of a rise in length of service and the large number of relatively young employees joining during the year following the acquisition of development studios or new recruitments.

- **Gender equality measures**

The NACON Group has a total of 512 employees, 23.4% of whom are women and 76.6% men. The proportion of women has fallen slightly compared with the previous year due to the acquisition of new development studios with a largely male workforce.

Men and women have the same access to training and skills development.

The Group is committed to equal treatment of men and women, and there is no discrimination either at the recruitment stage or in terms of promotion. Women account for 49.9% of managers.

Although the development studios have a largely male workforce, there is no discrimination against women. For example, Cyanide scored 87/100 in the Gender Equality Index for 2019.

	NACON GROUP	
Breakdown of headcount by gender	31/03/2020	31/03/2019
% of women in top management positions	23.5%	15.4%
% of women in middle management positions	26.4%	37.9%
% of women with managerial grade	13.8%	13.5%
% of women with supervisory grade	22.9%	29.6%
% of women with clerical or administrative grade	28.4%	24.0%

Top management is defined as members of the Group's Management Committee, including the heads of the subsidiaries.
Middle management is defined as those people with key responsibilities in the company and with line management responsibility for at least one person (including interns not included in headcount).
Managerial grade is defined as employees with key responsibilities in the company whether or not they have line management responsibility for other employees.
Supervisory grade is defined as employees with responsibility for heading up a team, but with less responsibility than employees with managerial grade.

- **Measures in favour of disability employment and inclusion**

The NACON Group employs four people with disabilities.

Employment of persons with disabilities	31/03/2020	31/03/2019
Number of persons	4	6
Rate of employment	0.8%	1.6%

The legal requirement for the number of disabled employees is based on headcount at 31 December 2019. Due to its recent creation, NACON was not able to pro-rate across the year and therefore the basis for calculation was 92 at 31 December 2019 with a legal requirement to employ five disabled workers.

Although NACON had two part-time disabled employees, they had to be pro-rated as of 1 November 2019. It was therefore short of 4.16 people after reduction to meet its obligations and had to pay the AGEFIH a contribution of €17,000. NACON intends to take the necessary measures in 2020 to comply with its legal obligations in terms of disability employment.

Furthermore, the head of Bigben Interactive SA's Publishing division forged a partnership with the association Game Lover in 2017 and the partnership has been continued since then. Game Lover, which is part of the Papillons Blancs association based in the Hauts de France region of northern France, brings together some ten people with disabilities who publish a news blog about video games. The partnership aims to address a number of impairments (visual, psychomotor, cognitive and mental, poor 3D perception, autism, etc.) suffered by some gamers in order to find ways of making video games more accessible for them. Additional expertise is provided by an accessibility specialist from the Conservatoire National des Arts et Métiers (CNAM). This altruistic and charitable approach on Bigben's part should also enable it to anticipate the federal law on video game accessibility due to be passed in the United States in 2020.

Accessibility issues are also a priority for the new studios acquired by the Group and appear regularly on the agenda for their meetings.

Lastly, Eko Software and the company Pidiem organised a half-day of team awareness raising open to all employees and they have also arranged individual support for employees with an interest in issues involving disability and health in the workplace.

5. Environmental risks, policies pursued and outcomes

The Group has taken measures to mitigate the three environmental risks referred to in Section 3.

The Group has no production plants as its manufacturing requirements are sub-contracted. It does not have an in-house environmental management department.

It addresses environmental issues and, as applicable, environmental assessment or certification approaches, on a project basis managed by the existing teams concerned. In other words, environmental issues are overseen by various departments such as administration, logistics, R&D and marketing.

5.1. Energy management: over-consumption

5.1.1. Policies pursued

- **Sustainable use of resources**

The Group raises employee awareness about saving electricity and heating, and many premises have already taken action to limit their energy consumption and use of their air-conditioning and lighting systems:

- Air-conditioning and lighting in the head office and all subsidiaries are switched off at night and during the weekends.
- Several premises, including NACON SA, have motion detectors or automatic light control systems to adjust lighting to employee needs.
- Some premises have a policy of timer-based air-conditioning systems, particularly in the southern European subsidiaries where this is a key issue. The Spanish subsidiary's building is classified as an "intelligent centre" and has a natural, solar-powered air-conditioning system. Since June 2017, the Belgian subsidiary has rented offices in a co-working space. It no longer manages its own energy supply but makes sure that it switches off all its electrical and electronic devices.
- The subsidiaries are increasingly purchasing more energy-efficient equipment. Some, such as Germany, focus on LED lighting for its energy-efficient properties and its more efficient lighting.

5.1.2. Outcomes in terms of sustainable use of resources

- **Water consumption and water supply based on local constraints**

Group companies only occupy premises for office or warehouse use.

The Group's water consumption is therefore limited to the usual consumption for these types of premises.

Water (m^3)	31/03/2020	31/03/2019
Head office	457	
Logistics		
Subsidiaries	52	96
TOTAL	**509**	**96**

Water comes directly from the local water supply networks and the Group thus automatically complies with the water regulations applicable in its various countries of operation.

The Group raises employee awareness about saving water.

- **Energy consumption, measures taken to improve energy efficiency and use of sustainable energy**

Group companies only occupy premises for office or warehouse use.

The Group's energy consumption is therefore limited to the usual consumption for these types of premises.

NACON SA's 29,000 m^2 Lauwin-Planque warehouse, which provides the company with logistics services, has enhanced insulation that complies with RT 2012 standards, thus reducing expenditure on gas heating. In 2019/20, the Lauwin-Planque heating system was completely overhauled to provide better working conditions for employees. A highly efficient boiler was installed, which should generate a better energy yield in the future.

None of the energy expenditure incurred by Lauwin-Planque on behalf of NACON SA and its subsidiaries has been included in the following statistics:

Electricity (kWh)	31/03/2020	31/03/2019
Head office	351,233	225,597
Logistics		
Subsidiaries	381,967	88,874
TOTAL	**733,200**	**314,471**

The rise in electricity costs is due to the new development studios acquired by the NACON Group. The NACON Group entities do not use gas.

5.2. Resource and waste management

5.2.1. Policies pursued

- **Employee training and information on waste management**

The Group raises employee awareness about environmental impacts by communicating about issues such as printing, waste sorting (batteries, plastic, electronic equipment, etc.), lighting, and the need to reduce water, electricity and paper consumption.

Employee awareness and training is organised locally by each subsidiary.

- **Pollution prevention measures**

  - **Measures to prevent, reduce or remedy environmentally serious air, water or soil pollution**

As the Group has no production sites, it is not concerned by environmentally serious air, water and soil pollution and has not implemented any specific measures.

The Group:

- produces very little hazardous waste as defined in the applicable legislation;

  In particular, NACON SA collects and recycles:

  - printer cartridges through Conibi;
  - batteries through Screlec when it does not donate them to associations. In December 2018, the company donated 120 kg of batteries to a local primary school as part of the "Piles Solidaires" campaign.
- is not concerned by accidental spillages given the nature of its business;
- only consumes water on a domestic basis.

  - **Noise and other forms of pollution specific to a business activity**

There is no noise pollution specific to the Group's business activity.

Its subsidiaries generate very little noise as they are mainly based in logistics or tertiary zones and only operate during the daytime.

  - **Ground use**

No specific measures have been taken by the company.

  - **Resources devoted to preventing environmental risks and pollution**

As the Group does not have any manufacturing facilities, it is not concerned by environmental risks and pollution related to industrial activities and has not devoted any specific resources to this matter.

However, the Group remains attentive to regulatory developments in its countries of operation.

  - **Amount of provisions and guarantees for environmental risks**

No provisions have been set aside or guarantees given for environmental risks.

- **Implementing a circular economy**
    - **Waste prevention and management**
        - ✓ ***Measures to prevent, recycle, reuse, upcycle and eliminate waste***

The Group works continuously to optimise the form and size of its product packaging to limit packaging waste and endeavours to recover and reuse cardboard boxes as far as possible.

In addition, the subsidiaries continuously raise employee awareness about reducing their office paper consumption by encouraging double-sided printing (printer default setting).

At NACON SA:

- Recycling projects initiated by employees (e.g. recovering plastic capsules or paper for donation to charity) have been actively supported by the company in the past. In 2018, for example, 120 kg of batteries were donated to a school in Carvin as part of the "Piles Solidaires" charity campaign.

Most of the international subsidiaries and development studios claim to recycle or selectively sort their used paper, paper cups, batteries and spent ink cartridges. Aware of the ecological impact of their waste consumption, they take advantage of local or national waste recycling programmes either through selective sorting in their premises or in collection areas or by calling on specialised service providers:

- In Germany, the company complies with German rules on processing household and office waste with selective sorting organised by waste type (paper, plastic and residual waste). Furthermore, the company has appointed a specialised firm to process all packaging waste generated by the distribution of its products to retailers and it complies with the "VerpackV" packaging regulations. It has also implemented EDI processes to reduce its paper consumption.
- In Belgium, the company takes measures to limit its packaging waste. The closure of its warehouse during the year has reduced packaging generated by inflows of goods. In terms of recycling, the company is also a member of Valipac (secondary and tertiary packaging management), Fost-Plus (primary packaging management), Bebat (battery recycling) and Recupel (waste electrical and electronic equipment management).
- In Spain, the company has outsourced the collection, processing and recycling of electrical and electronic waste to Reinicia for products marketed in Spain. It also encourages the use of digital documents to reduce paper consumption.
- In Italy, the company recycles packaging received, paper, batteries, cardboard and plastic in line with the municipal regulations and has implemented best practices in double-sided printing. In 2016/17, it also began to reduce paper consumption by digitalising documents. Since 2017, the subsidiary has been a member of CONAI (consortium for recovering and recycling packaging) and the ECOEM consortium for waste electrical and electronic equipment management.

    - **Combating food waste**

Due to the nature of its business, the Group is not concerned by food waste issues. It does not have any company restaurants. However, most of its premises provide refectories or rest rooms where staff can eat. Food consumption is therefore limited to the individual needs of each employee or company guest. Nor is the Group concerned with combating food insecurity or respect for animal well-being and responsible, fair and sustainable food.

    - **Biodiversity protection**

All of Bigben's premises are based in urban areas and none are close to any rich biodiversity areas.

5.2.2. Outcomes

- **Consumption of commodities and measures taken to improve their effective use**

The increase in paper and cardboard consumption at the Lauwin-Planque warehouse is due partly to an increase in the Group's packaging activity and partly to order fragmentation (customers ordering less but more often).

	Paper and cardboard (kg)	31/03/2020	31/03/2019
Consumption	Head office	1,258	1,233
	Logistics	56,280	16,998
	Subsidiaries	2,619	2,170
	TOTAL	**60,157**	**20,400**

In France and Germany, the company has a service contract for recycling suppliers' and distributors' packaging. The Lauwin-Planque warehouse works with Dhesdin, Veolia and Deroo. Most of the subsidiaries have implemented selective sorting of paper, plastic and other waste. The Italian subsidiary follows the municipal waste sorting programme.

The increase in paper and cardboard recycling at the warehouse is in line with the increase in cardboard consumption.

	Paper and cardboard (kg)	31/03/2020	31/03/2019
Recycling	Head office	2,383	2,891
	Logistics	60,393	29,476
	Subsidiaries	2,292	2,613
	TOTAL	**65,068**	**34,980**

5.3. Environmental impacts – high greenhouse gas emissions

5.3.1. Policies pursued

NACON is not directly affected by the impacts of climate change due to its geographical location. Its head office and logistics warehouses are based in the north of France. The Group's other premises are offices based in Europe, Canada and Hong Kong. Consequently the risks related to climate change impacts are limited.

As NACON is a wholesaler, the main sources of emissions are employee travel and events organised by the Group, as well as waste and energy consumption.

Greenhouse gas emissions generated by the energy consumption of buildings have been calculated and are presented below.

- **Business travel policy**

Due to the nature of its business, Group employees take part in many trade fairs in France and across the world. The Group's travel policy is to use only the train in France and direct flights for international travel. It also encourages the use of audio and video conferencing (e.g. Skype, Teams, etc.) to replace certain trips to subsidiaries.

The French subsidiaries, together with their fleet rental partners, take measures to reduce the carbon content of their vehicle fleet. Their policy is to limit the environmental impacts of their vehicle fleet by using less polluting models. For example, six of NACON's 16 vehicles are hybrid models, representing 37.5% of the fleet in 2019/20.

Some international subsidiaries have also taken similar initiatives:

- Bigben Benelux has set limits for CO_2 emissions in its car policy;
- Bigben Italy and Bigben GmbH have fleets of Euro 4, 5 and 6 classified cars.

- **Goods transport management**

The Group's objective in transport management is to ensure that products are delivered to all customers worldwide as promptly as possible while reducing the environmental impacts of its transport activities at the fairest possible cost.

Its manufacturing sub-contractors are based in Asia, which therefore requires sea or air freight between China and mainly Europe and the United States.

The Group has chosen to outsource its transportation needs while maintaining strong in-house expertise in service provider management. Lastly, the selected transport companies themselves largely determine the amount of greenhouse gas emissions through the equipment they use (age of fleet, eco-driving training, vehicle speed limiters, tyre technology, ability to measure emissions, etc.).

The main ways to reduce emissions from the transport activity is to limit the use of air freight in the event of stock-outs. The supply departments at the Lauwin-Planque logistics warehouse are required to monitor needs daily in order to maximise shipping loads.

The Group also monitors actions taken by its partners and works with operators that place a strong focus on reducing CO_2 emissions.

This is also the case for subsidiaries that use local logistics providers in order to serve certain customers that have specific requirements. For example, Germany uses the transport company DPD, which certifies "Zero emissions" when distributing its parcels.

5.3.2. Outcomes

CO_2 emissions (kg CO_2e)	31/03/2020	31/03/2019
Emissions related to electricity (kg CO_2e)	82,033	63,023
Emissions related to gas (kg CO_2e)		
TOTAL	**82,033**	**63,025**

6. Social risks, policies pursued and outcomes

The Group has taken measures to mitigate the social risk referred to in Section 3.
In a voluntary approach, the Group has also documented other social measures it has taken in terms of both regional inclusion and consumer safety.

6.1. Management of suppliers and service providers

6.1.1. Policies pursued

- **Purchasing policy and consideration of CSR aspects in negotiations with suppliers and sub-contractors**

Purchasing policies are centralised, taking into account both operational issues and purchasing volumes. There is not, as yet, any formal purchasing policy at Group level as regards environmental, employee-related or social issues.

However, each company endeavours to consider social and environmental issues in its own purchasing policy. The corporate social responsibility approach of suppliers and sub-contractors is thus one of the criteria taken into consideration during contract negotiations.

Selection of sub-contractors excluding transport

The Group uses sub-contractors for its product manufacturing needs. It also uses sub-contractors for studies, promotional and marketing services.

Sub-contractors are required to comply with all laws and regulations regarding the environment and social responsibility and are encouraged not to use environmentally hazardous materials or substances. In addition, they are also required to provide evidence of their compliance with safety and quality assurance regulations.

In Asia, NACON Hong Kong performs audits of all its partner production plants to ensure that they comply with their social responsibility obligations. Since 1 April 2017, a social audit has been added to the quality audit, using a social audit form.

Lastly, waste collection and recycling is outsourced to "eco-organisations" such as Eco-Systèmes in France.

Selection of transport providers

The Group monitors actions taken by its transport partners and works with operators that place a strong focus on reducing CO_2 emissions and on their contribution to sustainable development and social responsibility.

- **Monitoring the UN Global Compact principles**

As indicated in Section 7, the Group adheres to and promotes the following ILO fundamental conventions:
- Freedom of association and collective bargaining
- Elimination of discrimination in respect of employment and occupation
- Abolition of forced labour
- Effective abolition of child labour

Furthermore, since October 2016, Bigben Interactive, NACON's parent company, became a member of the UN Global Compact, thus endorsing the ten principles regarding human rights, international labour standards, environmental protection and anti-corruption.

6.1.2. Outcomes

Selection of sub-contractors excluding transport

Most of the production plants that manufacture Bigben products are ISO 9001 certified (quality management system) while others are certified SA8000, a standard that promotes decent working conditions. In the absence of SA8000 certification, others are members of the Business Social Compliance Initiative (BSCI), which brings together companies committed to improving working conditions in their international supply chains.

Selection of transport providers

In 2019/20, the Group mainly worked with the following transport firms, all of which have an exemplary CSR policy:

Chronopost, its top transport partner, restructured its CSR commitments in 2015 around a new policy called *DrivingChange*, which is based on:

- A set of fundamental commitments: human rights, working standards (safety, disability, diversity, gender equality) and the environment (waste management, paper policy, ISO 14001 certification); and
- Four objectives related to its core business:
  - carbon neutral delivery at no extra cost to the consumer
  - intelligent urban delivery
  - support from innovative entrepreneurship
  - reconciliation between the company and civil society

In 2019, Chronopost obtained an EcoVadis score of 68/100 (Gold level since 2017) and is among the top 10% in its sector.

The Group's second transport partner, Sogétra (subsidiary of Bolloré Logistics) launched its Powering Sustainable Logistics programme in October 2018:

- Through this international programme, Bolloré Logistics contributes to the UN's Sustainable Development Goals.
- Its objective is to increase Bolloré Logistics' environmental and social value throughout the supply chain. As a local growth driver in over 100 countries, Bolloré Logistics endeavours to support its customers in their sustainable international growth and to underline its commitment to sustainable world trade.

The Group's third transport partner, 59 Express, a subsidiary of Geodis, was again recognised for its CSR achievements in 2018 by the world's main CSR rating agency, EcoVadis, which assesses the social and environmental performance of global supply chains. Geodis obtained gold level with an overall score of 70/100 for its CSR approach, putting it among the top 1% of the 30,000 companies in the road haulage category. Geodis intends to go even further in terms of CSR. In early 2018, it announced a global target of reducing its greenhouse gas emissions by 30% by 2030.

The Group's fourth transport company, Kühne & Nagel, places a strong focus on environmental issues. Its Net Zero Carbon plan aims to reduce CO_2 in its transport and logistics services worldwide. Apart from its own carbon neutrality, Kühne & Nagel provides its customers with solutions for calculating and reducing the carbon footprint of their logistics chain, using big data and predictive analysis as well as digital platforms that select the most CO_2 efficient routes and transport methods.

The Group's fifth transport partner, TNT International, is also a member of the UN Global Compact. It has developed an environmental programme that puts environmental and energy issues at the heart of its business approach, taking into consideration the expectations of its employees, customers, partners and suppliers. The programme is based on three pillars:

- innovative vehicles and buildings
- employee engagement
- an effective operational model (optimisation of its network, delivery routes and transport methods, anticipation of a shift in urban policies towards sustainable urban logistics)

6.2. Regional inclusion

6.2.1. Policies pursued and outcomes

- **Employment and regional development**

The Group contributes to developing local employment, mainly through limited recourse to sub-contracting and therefore creating local jobs, and by choosing to locate its head office in the Hauts de France region of northern France.

The Group also endeavours to support the local economy through the services it uses.

- NACON SA uses local suppliers for the following services:
  - marketing, printing, photography, venue bookings for photo shoots and model bookings;
  - services provided by approved inspection organisations: one of the inspection firms used for support in issuing European product conformity certificates and self-testing (following tests performed in Asia) is based in the Lille metropolitan area and more specifically in Lesquin (Iryos, formerly By Expert);
  - server hosting services purchased by Roubaix-based company OVH, which is also recognised for its eco-responsible and ecological commitment;
  - all other services provided as part of a competitive quality/price relationship.

The Group has taken a proactive approach to youth employment and inclusion in the past few years.

- A policy of encouraging apprenticeship, work/study and internship contracts has been developed by the French subsidiaries for the past few years. In March 2020:
  - During the year, NACON received four middle school pupils on job shadowing experience and three interns for a period of more than one month. At present, the company has two interns and one apprentice. The interns and work/study employees come from local schools such as Efficom, ISEN, e-artsup, Gaston Berger, etc.
  - The studios took on many interns during the year to train them in the video games development business (there were still 20 of them at end-March 2020) and some internships have resulted in a fixed-term or permanent contract.

In addition, the NACON Group renewed its commitment in 2019/20 to several actions specifically aimed at students and young graduates, such as:

- Many partnerships between the Gaming Publishing teams at the Lesquin head office and Rubika (SupInfoGame and ISD), a school belonging to the Valenciennes Chamber of Commerce:
  - Lectures on marketing and business given by the Publishing division's head of Marketing to students in the 5th year of the Masters 2 programme at SupInfoGame in 2017/18. This experience will be repeated in the future. One of more members of the Publishing division were also end-of-year jury members or speakers.
  - Many design and development projects run with ISD students in the past 10 years (e.g. development of accessories for the PS Vita, simulator projects, "made for iPhone controllers" project, etc.).
  - The Lesquin head office has recruited many ISD students to the Publishing and Accessory Design departments in past years, and have taken on others as interns.
- The Accessories Design department also works regularly with EDNA (Nantes Atlantique School of Design) and recruited one of its students in January 2018.
- NACON SA partners the AMOS sports management school, which includes an eSport training module and which inaugurated its new buildings in Lille on 20 March 2018. An employee from the Gaming Publishing team also gives lectures in sports marketing to Masters 1 and 2 students.
- Partnerships are also being forged with:
  - ENJMIN Angoulême (national school of gaming and interactive media): the head of Production will be the end-of-year examiner;

        - ECV Bordeaux: participation in the 2020 Video Games jury;
        - Pole III D, where a member of the Publishing team was also the examiner in 2018/19;
        - IIEM, in partnership with the Cyanide and Big Bad Wolf studios;
        - participation of two people from the Publishing Paris division in the ISART event.
    - The studios acquired in 2018 have also committed to partnerships with various schools:
        - Eko Software's creative director lectures at ISART Digital, an international school for Video Games and 3D-FX Animation based in Paris, Montreal and Tokyo;
        - Cyanide and Big Bad Wolf employees are involved with various schools, such as the IIEM.

    Marketing:

    There are many partnerships between the DTP department and various schools:

    - With Esupcom school of communications in Lille
        - In the past, the head of DTP has been involved with the school as member of the jury that assesses the end-of-course projects presented by Masters students;
        - Working groups have been proposed regularly to students in the past to get them involved in concrete topics. The topics covered in 2017 were:
            - Discovery report on the NACON® and Thomson® brands
            - Launch study for the new Revolution Pro Controller under a PlayStation® 4 licence from Sony
            - Design of new motifs for Audio speakers
    - With ISCOM, Aston Lille and IAE:
        - Recruiting students on apprenticeship or work/study contracts
    - With MJM Graphic Design
        - In the past, participation in speed recruitment
    - NACON SA partners Paris Gaming School, a training school for jobs in e-Sport based in Paris. in 2017/18, this partnership gave the company an insight into the expectations of professional gamers and an opportunity to test its prototypes while equipping students with NACON equipment.

    In general:

    - In the past, a member of the Publishing team has been the examiner for the IESEG business school first year entrance exams.
    - Lastly, in the past, the company has worked frequently with engineering schools, and notably the ISEN, on development projects.
- In Italy, the subsidiary works regularly with several institutions (vocational training centres (Ial and Promos), Eurolavoro, high school) to encourage work experience for students. Two students from these schools were hired in 2016/17 and the company took on five girls on the school/work experience programme (ASL) in 2019/20.

These partnerships illustrate the Group's aim of attracting and hiring talented young people and making them aware from the outset of the issues and responsibilities inherent in our subsidiaries' business activities and the reality of jobs in this sector.

Furthermore, the French companies used to allocate the apprenticeship tax to regional educational institutions (ISEN in Lille) and intends to resume this practice in 2020 following the recent reform on training and work/study, which had eliminated the apprenticeship tax in 2019.

- **Neighbouring and local populations**

Due to its nature as a distribution company, NACON does not have direct impacts on neighbouring and local populations.

- **Dialogue with stakeholders (community, associations, social institutions)**

The Group does not have a specific policy although initiatives taken since 2018/19 reflect its commitment in this respect. Partnership actions, whether with local schools, associations or government agencies, all aim to invest in teaching skills related to new technologies and the world of gaming, audio and telephony.

The Publishing division in particular is involved in many partnerships:
At national level:

- Through its group contribution, which includes the recently acquired development studio and the head office Publishing team, NACON is also a member of the trade union for the video games industry, SELL. The head of Production for the KT Racing studio (Kylotonn) is also a representative on SELL's Board of Administration. The Group may therefore represent the video games industry from time to time, in particular during conferences, to explain how video games are designed, developed and published.
- From 2015 to 2017, the head of Publishing was a member of the Commission du Centre National du Cinéma et de l'Image Animée (CNC), attached to the Ministries of Culture and Industry, which manage the video games support fund.
- He is also a member of the SNJV trade union (Syndicat National du Jeu Vidéo) and was a director until just a few years ago.

At regional level (Hauts de France region):

- The head of Publishing holds a number of offices in various associations:
    - He was the founder chairman of the association Game Industry North (GAME IN) for four years and remains an active member of the association. It now has a membership of some thirty regional companies involved in the video games industry and organises many conferences on a broad array of topics.
    - As part of GAME IN, he was also a founder in 2013 of the specialised "Play in Lab" playtesting unit at the Plaine Images hub for creative industries in Tourcoing. This cooperative, of which Bigben is a member, offers playtesting services to all operators in the video games industry, including product assessment by a panel of consumers representative of the target market.
    - In association with the head of development of Plaine Images in Tourcoing and as part of a mentoring scheme, Bigben currently receives delegations of start-ups giving them the opportunity to present their products and create a business network. Thus, thanks to Bigben's involvement, a stream of business has been generated between the 3D Duo and Kylotonn development studios.
    - In 2018, the head of Publishing also became Vice-President of the Hauts de France French tech responsible for international and export assignments and, in this role, set up a mentoring scheme for Plaine Images business start-ups in Tourcoing.
    - For several years, he was also a member of the panel that allocates grants from the Experience Interactives support fund run by Pictanovo, the regional agency in charge of the audiovisual industry (television, cinema, animation, video games) based in Tourcoing. He has temporarily stepped down under rotation rules.
    - On behalf of EuraTechnologies (centre of business excellence for information and communication technology in the Lille metropolitan area), he was heavily involved in launching French Techs in 2014 by obtaining funds from the Ministry of Culture.
    - Furthermore, the head of Bigben Interactive SA's Publishing division forged a partnership with Game Lover in 2017 and has been actively involved in the partnership since then. Game Lover, which is part of the Papillons Blancs association based in the Hauts de France region of northern France, brings together some ten people with disabilities who publish a news blog about video games.
- The Group Treasurer is a member of the local section of the French Institute of Corporate Treasurers and the head of Human Resources is a member of the Human Resources Directors' Club in the Lille metropolitan area.

The international subsidiaries have also invested in their local communities:

- Bigben Benelux is a member of Union Belge des Annonceurs (UBA);
- Bigben Italia is part of the Italian Interactive Digital Entertainment Association (IDEA, formerly AESVI), which represents the national video games industry.

- **Sponsorship and patronage**

Most of the patronage initiatives taken by the subsidiaries are decentralised. They are mainly aimed at improving the well-being of disadvantaged populations or local communities:

- In support of a worthy cause, NACON SA made a donation to Goodplanet, which works to promote sustainable development and environmental awareness;
- In Germany, products have been donated in the past to local football associations that organise tournaments;
- In Benelux, products have been donated to parent-teacher associations or local sports associations;
- In Italy, products have been donated to sports associations in the past.

6.3. Consumer health and safety

To guarantee the safety of its products, NACON uses manufacturing sub-contractors with very high organisational standards and processes. The Group has in-house teams devoted to monitoring and implementing standards, regulations and internal rules.

Safety is taken into consideration right from the product design stage. A product must meet the national safety standards of the relevant market as well as international standards. Consequently, products often exceed the local safety requirements.

Before being marketed, all products must undergo comprehensive safety testing to assess potential risks, including physical, chemical and flammability tests. All products comply with European Union requirements as well as all legal and regulatory provisions, and are inspected by independent testing organisations.

NACON complies strictly with the standards in force covering the electrical safety and use of its products, including the European RoHS directive (Restriction of Hazardous Substances), WEEE directive (Waste Electrical and Electronic Equipment) and REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals) for the relevant products.

As regards its Gaming business, the Group is committed to the health and safety of its consumers through trade associations for the video games industry such as SELL in France.

The software teams work closely with rating and consumer protection agencies, the main ones being:

- PEGI (Pan European Game Information) for Europe;
- ESRB (Entertainment Software Rating Board) for the United States;
- OFLC (Office of Film and Literature Classification) or COB for Australia;
- USK (Unterhaltungssoftware Selbstkontrolle – entertainment software self-regulation body) for Germany;
- CERO (Computer Entertainment Rating Organization) for Japan.

These agencies inform consumers about the nature of the products and the recommended age for use by assigning ratings that guarantee clear labelling of video games based on their content and recommended age group. Each agency is independent and works differently.

Furthermore, in France products carry a warning about the risk of epilepsy in accordance with the decree of 23 April 1996.

Some first party suppliers also ask for information about similar risks to be carried on their packaging or in notices included with the products. This is the case for Sony, Microsoft and Nintendo.

7. Action in favour of human rights

- **Promotion of and compliance with the ILO's fundamental conventions**

The Group complies with the conventions on:

- ✓ **Freedom of association and collective bargaining**

The Group respects the freedom of association and collective bargaining (see section 4.3).

- ✓ **Elimination of discrimination in respect of employment and occupation**

The Group employs talented people from a wide variety of backgrounds (see section 4.6.3) and thus endeavours to combat all forms of discrimination by recruiting a diverse range of profiles.

- ✓ **Abolition of forced labour**

The Group complies with the conventions of the International Labour Organisation and, in particular, undertakes not to use forced labour. It also ensures that its sub-contractors in South East Asia comply with these obligations.

- ✓ **Effective abolition of child labour**

The Group complies with the United Nations conventions on children's rights and, in particular, undertakes not to use child labour. It also ensures that its sub-contractors in South East Asia comply with these obligations. The Group therefore complies fully with the provisions of HK Labour Law and Employment of Children Regulations.

In addition to the social audits performed by NACON Hong Kong (see section 6.2.2), the Group's quality inspectors, who visit the manufacturing plants on a daily basis, must immediately report to the head of NACON Hong Kong's quality department if they suspect that children are working in one of the factories. The Group is extremely attentive to this issue and did not have any cases of forced child labour in the past year.

- **Choice of partners**

As described earlier, various actions taken by the Group with its sub-contractors and partners (e.g. social audits of Asian production plants since 1 April 2017 in addition to quality audits, using a social audit form) ensure that they take social responsibility issues into consideration.

To date, apart from the social actions described above, the Group has not committed to any other action in favour of human rights.

8. ANTI-CORRUPTION AND TAX EVASION

8.1. Action taken to prevent corruption and outcomes

NACON reminds its employees about their duty of loyalty in their employment contracts and stresses the importance of this principle when new employees are hired.
The anti-corruption procedures put in place by the Group take several forms:

- In 2016, its parent company, Bigben, circulated an anti-fraud procedure to all its subsidiaries and trained them in methods of preventing external fraud. An updated procedure was sent to the subsidiaries (including Bigben Connected and NACON SA) in February 2017, March 2018, March 2019 and March 2020. The subsidiaries then inform their own employees.
- The parent company also requires its subsidiaries to follow an expenditure commitment

procedure that defines the principles for authorisation and signing off expenditure based on thresholds.
- The Group Treasurer is also able to check the subsidiaries' daily bank positions.
- NACON considers that security of payments and strict control of product inventories help to prevent internal corruption attempts.

Some subsidiaries have also stepped up their anti-corruption measures since 2016/17:
- In Germany, Italy and Spain, the duty of loyalty is spelled out in employment contracts.
- Bigben Belgium also requires dual signature for payments. Its logistics flows are automated and supplies are obtained from the Group's logistics centre on a just-in-time basis.

Sub-contractors:
- New major sub-contractors are appointed via a competitive bidding process requiring several levels of approval or by obtaining quotes from at least three different suppliers.
- The Asian subsidiaries ask their suppliers (and manufacturing sub-contractors) to sign a "Gifts and Gratuities" form stipulating that Bigben will not accept gifts or gratuities of any kind.

Now that the NACON Group has more than 500 employees, it is subject to the anti-corruption provisions of the French Sapin II law. Since 2019, the Bigben Group, NACON's parent company, has been implementing a far-reaching programme to ensure that it complies with all applicable laws and regulations as quickly as possible. This programme was originally scheduled for Autumn 2019 and, although well advanced, was postponed to 2020 as a result of the IPO of its subsidiary NACON SA and then the lockdown measures related to the Covid-19 health crisis. In accordance with the eight measures recommended by the French anti-corruption agency (AFA), the following measures have already been decided and are awaiting implementation within the time frame imposed by French regulations:
- Anti-corruption risk mapping;
- Adoption of an anti-corruption conduct code to be included in the internal regulations;
- Implementation of whistleblowing arrangements;
- Implementation of procedures to assess partners;
- Implementation of accounting control procedures and anti-corruption control and internal evaluation arrangements;
- Introduction of anti-corruption training modules based on clear and easy to understand slides for all relevant employees in all the Group's subsidiaries.

8.2. Action taken to prevent tax evasion and outcomes

Tax evasion has not been identified by the NACON Group as a material risk.

All of its subsidiaries comply with the tax regulations in their respective countries.

As regards transfer pricing, the Bigben Group, NACON's parent company, complies with the OECD's BEPS principles and has a full set of files (master file and local files) documenting the arm's length nature of its intra-group transactions and their fiscal compliance.

9. APPENDIX - Employee-related, environmental and social reporting methodology

NACON's CSR reporting approach is based on Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code.

9.1. Reporting period and timetable

The information collected covers the period from 1 April of year N-1 to 31 March of year N, except for information relating to training and annual appraisals, which covers the period from 1 January to 31 December of year N-1. Information is reported annually except for compensation and social security data, which is reported monthly.

The CSR reporting timetable is as follows:

Period	Activity
Beginning March N	Instructions sent to contributing entities one month before the annual close (Excel reporting file, explanations, instructions, etc.)
During April N	Reporting of qualitative and quantitative information
End April N	Consolidation of data and drafting of CSR report
End May N	Board of Directors' meeting to approve results

9.2. Scope

The CSR reporting scope aims to be representative of the Group's business activities. It is based on the following rules:

- Only those companies that are fully consolidated in the financial statements are included in the CSR reporting scope (therefore companies accounted for by the equity method are not included);
- Subsidiaries acquired or created during year N-1/N are included in the reporting for year N/N+1 in order to adopt a progressive approach.

However, due to the material impact on the Group's headcount of development studio acquisitions and new companies created in 2019/20, and for the sake of clarity as regards the Non-Financial Statement, the Group has departed from this rule for 2019/20 and has included the relevant companies in the section on employee-related indicators based on the approximate length of time that the relevant company has belonged to the Group, i.e.:

- 7 months for Spiders SAS (from 1 September 2019 to 31 March 2020);
- 8 months for RaceWard (from 1 August 2019 to 31 March 2020);
- 2 months for Nacon Gaming Inc.

As a reminder, as regards the comparative figures, in 2018/19, the newly acquired studios were also included based on the approximate length of time they had belonged to the Group, i.e.:

- 9 months for Cyanide SA (from 1 July 2018 to 31 March 2019);
- 6 months for Kylotonn SAS and Eko Software SAS (from 1 October 2018 to 31 March 2019).

These studios were then fully included in the 2019/20 figures for all indicators.

- Subsidiaries sold or closed down during N-1/N are excluded from the reporting scope for year N-1/N. Not applicable in 2019/20.

The scope of reporting from year N-1/N will be updated on 31 March of year N-1/N by the Group's management.

The same principles were used for the NACON Group, which arose from the spin-off of the Bigben Group's Gaming business on 31 October 2019 with retroactive accounting and fiscal effect as of 1 October 2019. However, for the sake of clarity as regards the NACON Group's Non-Financial

Statement, certain measures have been taken to show the Group from a CSR perspective as if it had existed for the past two years, i.e.:

- For companies that were transferred to the NACON Group in their entirety at the time of the spin-off (Bigben Italia, Bigben GmbH, Bigben Belgium, Games.fr, development studies):
    - All annual figures and statistics at 31 March 2020 have been included in the NACON Group's CSR reporting.
- For the three companies that were split at the time of the spin-off (Bigben Interactive SA, Bigben Interactive HK Ltd and Bigben Interactive España):
    - Comparative 2018/19 data are also split between Bigben and NACON;
    - Annual amounts (training, compensation, etc.) for 2019/20 are allocated in full to the destination Group company (Bigben or NACON).

Specific restrictions on the reporting scope for some indicators are described in section 9.6. "Definition of indicators and methodology limitations".

9.3. Choice of indicators

The indicators used were selected on the basis of:

- the employee-related, environmental and social impacts of the Group's business activities;
- risks associated with the business activities;
- operational implementation of the Group's CSR performance monitoring based on a selection of unifying indicators.

9.4. Roles and responsibilities

The information is collected centrally or from each entity included in the CSR reporting scope from sources such as the payroll management system, Excel monitoring files, invoices, etc.

The quantitative information reported by the subsidiaries is collected by the CFOs of the subsidiaries based on an Excel reporting file drawn up by NACON's management. Within the subsidiaries, the CFOs collect the information from the staff responsible for the relevant area.

The qualitative information is collected centrally by Bigben Interactive's management.

Information is checked and validated by Group management.

9.5. External audit

In accordance with the regulatory requirements set out in Article 225 of the Grenelle 2 law and its implementing decree of 24 April 2012, NACON has asked one of its statutory auditors to prepare a report as of 2019/20 certifying that the relevant information has been disclosed in the management report and expressing an opinion on the fairness of the disclosures.

9.6. Scope limitations and methodology clarifications

9.6.1. Scope limitations

Disclosure	Scope
Environmental indicators	
Paper and cardboard consumption and waste recycling	**Paper and cardboard waste recycling is limited to the scope of parent company Bigben Interactive's Lauwin-Planque warehouse (the Group's only real warehouse, as the other subsidiaries only have office premises) and to a few Group subsidiaries (BBI Germany and BBI Hong Kong) that habitually recycle their cardboard and paper waste.**
All environmental indicators	**Companies accounted for by the equity method (BBI USA) are excluded from the scope of reporting. BBI USA is a joint venture that has no employees and is 50% owned by NACON SA.**

Disclosure	Scope
Employee-related indicators	
All employee-related indicators	Companies accounted for by the equity method (BBI USA) are excluded from the scope of reporting. BBI USA is a joint venture that has no employees and is 50% owned by NACON SA.

9.6.2. Methodology clarification

Employee-related data

Disclosure	Description
End-of-period headcount and breakdown by: - Gender - Age - Geographical area	**Number of employees on the payroll at 31 March of year N on permanent and fixed-term contracts. Includes employees on parental leave, maternity leave and long-term sick leave, and employees on apprenticeship and work/study contracts. Excludes executive corporate officers, interns, employees on early retirement schemes and employees on sabbatical leave. The age brackets defined are: 25 and under, 26-35, 36-45, 46-55, 56 and over. The geographical areas defined are: France, Rest of Europe, Asia, Other.**
External joiners	**Number of employees hired on permanent or fixed-term contracts from 1 April of year N-1 to 31 March of year N. Fixed-term contract renewals and contract conversions do not count as new hires.**
Leavers	**Number of employees on permanent or fixed-term contracts that left the company from 1 April of year N-1 to 31 March of year N at the company's initiative (redundancy, serious misconduct, contractual termination, termination of permanent or fixed-term contract during the trial period, end of fixed-term contract) and at the employee's initiative (resignation)**
Absenteeism, total and breakdown - Sick leave - Maternity leave - Occupational and commuting accidents - Unpaid leave - Paternity leave	**Number of days absence for the various categories calculated in business days from 1 April of year N-1 to 31 March of year N. The absenteeism indicator is calculated by dividing the total number of days absence referred to above by the end-of-period headcount based on a year of 235 business days.**
Compensation for the year	**The amount of compensation corresponds to the gross payroll disclosed in the consolidated financial statements. It includes gross compensation, paid leave, allowances, various benefits, incentive bonus and profit-sharing. Average compensation per employee is calculated by dividing the amount of compensation referred to above by end-of-period headcount.**
Social security charges	**The amount of social security charges corresponds to the employer's contributions (social security, unemployment, pension, death & disability insurance, top-up health insurance, occupational health care costs, works council expenses, lifelong training, luncheon voucher contribution, construction tax, apprenticeship tax).**
Occupational accidental with time off work	**Number of occupational accidents with time off work recognised as such by the competent authorities from 1 April of year N-1 to 31 March of year N.**
Occupational accidental without time off work	**Number of occupational accidents without time off work recognised as such by the competent authorities from 1 April of year N-1 to 31 March of year N.**
Commuting accidents	**Number of accidents between home and work with or without time off work recognised as such by the competent authorities from 1 April of year N-1 to 31 March of year N.**
Percentage of payroll devoted to training	**Training expenditure in calendar year N-1/payroll N-1**
Training expenditure	**Amount of expenditure on training (in €). Expenditure includes the cost of services invoiced by external providers of training given to Bigben Interactive employees in calendar year N-1 plus associated travel costs (transport, accommodation, meals) and employee costs charged. Training expenditure in respect of year N includes expenditure incurred for all employees present at 31 March of year N. Expenditure incurred for employees who have left the company are not included.**

Employees trained	**Number of participants (permanent and fixed-term contracts) in contractually agreed training sessions during calendar year N-1 for French companies and the financial year for other companies.** **Data taken from agreements entered into with the training service providers. Participants are counted as many times as they attend a training session.** **Employees trained in year N includes those employees present at 31 March of year N. Employees who have left the company are not included.** **The percentage of average headcount trained is calculated by dividing the total number of employees trained referred to above by the end-of-period headcount.**
Training hours	**Number of contractually agreed training hours received by employees (permanent and fixed-term contracts) during calendar year N-1 for French companies and the financial year for other companies.** **Data taken from agreements entered into with the training service providers. Only face-to-face training sessions given by an internal or external instructor are included.** **Training hours counted in respect of year N are those completed by employees on the payroll at 31 March of year N.** **Training hours completed by employees who have left the company are not included.** **The average number of training hours per employee is calculated by dividing the total number of training hours referred to above by the end-of-period headcount.**
% of employees receiving an annual appraisal	**Employees who have received an annual appraisal:** **For French subsidiaries: during the calendar year N-1;** **For other subsidiaries: from 1 April of year N-1 and 31 March of year N divided by the end-of period headcount from 1 April of year N-1 to 31 March of year N.** **The annual appraisal is documented in a progress appraisal form.**

Environmental data

Disclosure	Description
Water consumption	**Water consumption in m^3 from 1 April of year N-1 to 31 March of year N.** **Data taken from water bills or meter readings.**
Paper purchased	**Paper and cardboard purchased in kg from 1 April of year N-1 to 31 March of year N.** **By convention, the Group considers that paper purchased during the year is consumed during the year.** **The logistics warehouse unpackages products sent by suppliers, stores them and then repackages them in the form required by the end customer. Therefore, packaging boxes sent by suppliers are not included in this indicator. However, as these boxes are recycled, most of them are included in the indicator referred to below.** **Paper purchased by the commercial entities mainly comprises photocopier paper.**
Paper and cardboard waste collected	**Paper and cardboard waste in kg from 1 April of year N-1 to 31 March of year N.** **Data supplied by service providers that collect the paper and cardboard.**
Electricity consumption	**Electricity consumption in kWh from 1 April of year N-1 to 31 March of year N.** **Data taken from electricity bills or meter readings.**
Natural gas consumption	**Natural gas consumption in m^3 from 1 April of year N-1 to 31 March of year N.** **Data taken from natural gas bills or meter readings.**
CO_2 emissions, scopes 1 and 2	**CO_2 emissions arising from electricity and natural gas consumption.** **Emission factors used are:** - **Natural gas: 0.244 kg CO_2e/kWh LHV (Source: European emission factor, ADEME carbon base, 2015), conversion factor 1 m^3 = 10.5 kWh LHV (Source: International Energy Agency)** - **Electricity: France: 0.0558 kg CO_2e/kWh, Belgium: 0.22 kg CO_2e/kWh, Germany: 0.461 kg CO_2e/kWh, Hong Kong: 0.766 kg CO_2e/kWh, Italy: 0.406 kg CO_2e/kWh, Spain: 0.238 kg CO_2e/kWh (Source: ADEME carbon base, 2017).**

Environmental reporting includes little information about the environmental footprint of the Group's main suppliers, other than transport providers, as full data is not yet available to the Group.

Methodological limitations of the indicators

Indicators may present methodological limitations due to:

- lack of harmonisation of definitions and national/international legislation;
- representativeness of the metrics;
- practical methods of collecting and inputting data.

10. Report of one of the Statutory Auditors

NACON S.A.
Head office: 396 rue de la Voyette, 59273 Fretin, France

Report by the independent third party on the consolidated non-financial statement

To the Shareholders,

In our capacity as independent third party, accredited by the COFRAC under number 3-1049,[29] member of the KPMG International network and one of the statutory auditors to the company (hereinafter the "Entity"), we hereby report to you on the Entity's consolidated non-financial statement for the year ended 31 March 2020 (hereinafter the "Statement"), disclosed on a voluntary basis in its management report, pursuant to the provisions of Article L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Entity's responsibility

Pursuant to the legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a description of the business model, the key non-financial risks, the policies pursued to address those risks and the outcomes of those policies, supported by key performance indicators.

The Statement has been prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and are available on request from the Entity's head office.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the code of conduct governing the audit profession. Furthermore, we have implemented a quality control system that includes documented policies and procedures designed to assure compliance with the applicable laws and regulations, ethical requirements and professional guidance.

Responsibility of the statutory auditor appointed as independent third party

Our responsibility is to provide a report based on our work expressing a limited assurance opinion on:

– the Statement's compliance with the provisions of Article R. 225-105 of the French Commercial Code;
– the fairness of the disclosures made pursuant to Article R. 225-105 I.3 and II of the French Commercial Code, i.e. the outcomes of the policies and action taken to address the key risks, supported by key performance indicators (hereinafter the "Disclosures").

[29] The scope of accreditation is available on the website www.cofrac.fr

It is not our responsibility to comment on the Entity's compliance with any other applicable legal and regulatory requirements, in particular those regarding anti-corruption and tax evasion legislation, or on the conformity of products and services with the applicable regulations.

Nature and scope of our work

The procedures described below were performed in accordance with the provisions of Articles A. 225-1 *et seq.* of the French Commercial Code, the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, and ISAE 3000:[30]

- We obtained an understanding of the business activities of all the entities included in the scope of consolidation and the description of the key risks;
- We assessed the appropriateness, completeness, reliability, neutrality and clarity of the Guidelines with due consideration of industry best practices, where applicable;
- We obtained assurance that the Statement covers each type of social and environmental disclosure set out in Article L. 225 102 1 III, as well as disclosures regarding respect for human rights and compliance with anti-corruption and tax evasion legislation;
- We obtained assurance that the Statement contains the disclosures required under Article R. 225-105 II of the French Commercial Code where relevant with regard to the key risks, and an explanation where the disclosures required under Article L. 225-102-1, III, paragraph 2, have not been provided;
- We obtained assurance that the Statement presents the business model and a description of the key risks associated with the business activities of all entities included in the scope of consolidation, including where relevant and proportionate the risks associated with their business relationships, products or services, as well as the policies pursued, measures taken and their outcomes, supported by key performance indicators related to those key risks;
- We referred to the documentary sources and conducted interviews to:
  - assess the process used to select and validate the key risks and the consistency of the outcomes, including the key performance indicators used, with regard to the key risks and policies presented;
  - corroborate the qualitative disclosures (actions and outcomes) that we considered to be the most important, as presented in the Appendix. We performed our work at the reporting entity's head office;
- We obtained assurance that the Statement covers the consolidated scope, i.e. all the entities covered in the scope of consolidation in accordance with Article L. 233-16 of the French Commercial Code, within the limitations set out in the Statement;
- We obtained an understanding of the internal control and risk management procedures in place at the Entity and assessed its data collection process to obtain assurance about the completeness and fairness of the Disclosures;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important, we performed:
  - analytical procedures to verify the correct consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, to verify the proper application of the definitions and procedures and to reconcile the data with the supporting documents. This procedure was carried out on a selection of contributing entities[31] and covered between 24% and 96% of the consolidated data selected for those tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the entities included in the scope of consolidation.

We believe that the procedures we performed, based our professional judgement, are sufficient for us to provide a limited assurance opinion. A higher level of assurance would have required us to perform more extensive procedures.

Means and resources

Our work was performed by a team of four people between April and June 2020 and took a total of approximatively three weeks.
We referred to our specialists in sustainable development and social responsibility to assist us in our work. We conducted some ten interviews with the people responsible for preparing the Statement.

[30] ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information
[31] NACON SA and Cyanide SA.

Conclusion

Based on the procedures performed, we did not identify any material misstatements causing us to believe that the non-financial statement does not comply with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in all material respects in accordance with the Guidelines.

Paris-La Défense, 18 June 2020

KPMG S.A.

Fanny Houlliot *Partner* *Sustainability Services*	Stéphanie Ortega *Partner*

APPENDIX

Qualitative disclosures (actions and outcomes) considered to be the most important
Provisions as regards quality of life in the workplace
Measures to retain employees
Outcomes as regards diversity
Energy management measures (policy of timer systems for air-conditioning, vehicle fleet)
Commitments to waste management and recycling
Anti-fraud procedure
Quality, social and human rights audits of suppliers
CSR criteria taken into consideration in supplier contracts.

Key performance indicators and other quantitative outcomes considered to be the most important
Total headcount at 31 March 2020 and breakdown by gender
Number of joiners
Number of leavers
Number of days absence
Absenteeism
Number of occupational accidents with time off work
Average number of training hours per employee
Electricity consumption
Natural gas consumption
Paper and cardboard consumption
Amount of paper and cardboard recycled
Scopes 1 and 2 CO_2 emissions arising from energy consumption of buildings

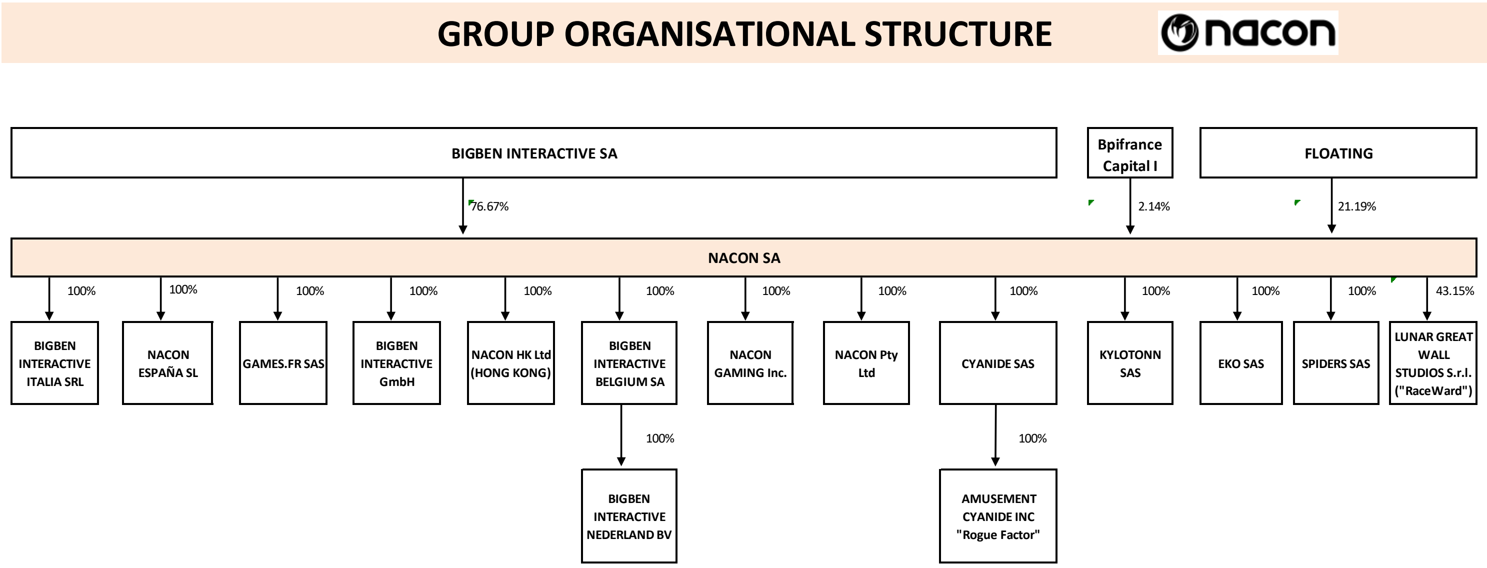
6. ORGANISATION STRUCTURE

6.1 LEGAL STRUCTURE

The organisation chart presented below shows the company and all its subsidiaries within the meaning of Article L.233-1 of the French Commercial Code (Code de Commerce).

The current structure of the Group, whose business is the development, publishing and distribution of physical and digital video games, and the design, development, manufacture and wholesale distribution of gaming accessories, is the result of a reorganisation of the Bigben Interactive group's business activities.

As a reminder, in a spin-off completed on 31 October 2019, Bigben Interactive transferred to its subsidiary NACON all of its interests in the companies described below, which are involved in the Gaming business either as video games developers and publishers or as manufacturers and distributors of accessories.



The percentage interests are the percentage of capital and voting rights owned by NACON, as there are no double voting rights.

6.2 GROUP COMPANIES

Parent company

NACON SA

NACON is a *société anonyme*, initially incorporated on 18 July 2019 as a *société par actions simplifiée*.

Its purpose is the creation, design, development, production, publishing, promotion, operation, marketing and dissemination of technologies, applications and all IT, audiovisual and multimedia products, particularly video games, software and accessories, on any medium, and all related accessories,

As the Group's parent company, it provides the Group's marketing, sales, distribution, administrative and financial functions.

Historical subsidiaries

GAMES.FR SAS

GAMES.FR is *société par actions simplifiée* incorporated under French law.

Its main business is marketplace sales (online sales on platforms such as Amazon) of all of the group's physical products (video games, gaming accessories, etc.). It is wholly owned by the Company following the spin-off completed on 31 October 2019.

<u>BIGBEN INTERACTIVE BELGIUM SA</u>

Bigben Interactive Belgium is a *société anonyme* incorporated under Belgian private law.

Its business is the management of the Group's commercial activities in the whole of Benelux (in the Netherlands via its subsidiary Bigben Interactive Nederland) and has exclusive distribution rights in Benelux over games published by Square Enix. It is wholly owned by the Company following the spin-off completed on 31 October 2019.

<u>BIGBEN INTERACTIVE NEDERLAND BV</u>

Bigben Interactive Nederland is a *Besloten Vennootschapest* incorporated under Dutch law.

It is Bigben Interactive Belgium's subsidiary for selling products in the Netherlands. The parent company is wholly owned by the Company following the spin-off completed on 31 October 2019.

<u>BIGBEN INTERACTIVE GmbH</u>

Bigben Interactive is a *Gesellschaft mit beschränkter Haftung* incorporated under German law.

It supports the Group's video games and accessories business in Germany, Austria and German-speaking Switzerland. It is wholly owned by the Company following the spin-off completed on 31 October 2019.

<u>BIGBEN INTERACTIVE ITALIA SRL</u>

Bigben Interactive Italia is a *Società a responsabilità limitata* incorporated under Italian law.

It supports the Group's video games and accessories business in Italy. It is wholly owned by the Company following the spin-off completed on 31 October 2019.

<u>NEWAVE ITALIA SRL</u>

Apart from the companies presented in the diagram above, the Group has owned a 25.9% interest in Italian company Newave Italia Srl, a distributor of digital products, since May 2011. The company went into liquidation on 16 March 2015 at the initiative of its executive manager.

Due to the low probability of recovering this investment (€200,000), for which a provisions has already been taken, this interest has no longer been consolidated since the first half of 2016/17.

New subsidiaries arising from the carve-out and spin-off of Bigben Interactive's Gaming business in October 2019

<u>NACON HK Ltd</u>

NACON HK Ltd. is a limited company incorporated under Hong Kong law on 31 July 2019.

Its business is the design of gaming accessories for the Group. It is also responsible for sourcing components, managing the product manufacturing process and centralising all of the Group's purchases relating to gaming accessories. Bigben Interactive HK Ltd. transferred these activities with respect to the Gaming business only and retains the same activities for the audio and telephony segment. It owns the licences held by the Group. It is wholly owned by the Company following the spin-off completed on 31 October 2019.

NACON GAMING ESPANA SL

NACON Gaming España SL is a *Sociedad Limitada* incorporated under Spanish law on 18 October 2019.

It supports the Gaming business in Spain. It is the result of a local spin-off of the Gaming business by Bigben Interactive Spain S.L., which retains its distribution business but only for the audio and telephony segment. It is wholly owned by the Company following the spin-off completed on 31 October 2019.

Video game development studios

CYANIDE SAS

Cyanide is a *société par actions simplifiée* incorporated under French law.

Its business is developing video games of various genres (strategy, narrative, shooter, management, sport, action and adventure). It is based in France (Paris and Bordeaux) and Canada (Montreal) via its Canadian wholly owned subsidiary Amusement Cyanide Inc.

On 20 June 2018, Bigben Interactive SA acquired all of the capital and voting rights of development studio Cyanide SAS. It is wholly owned by the Company following the spin-off completed on 31 October 2019.

KYLOTONN SAS

Kylotonn is a *société par actions simplifiée* incorporated under French law.

Its business is developing video games mainly in the racing segment (motorcycle racing, car racing, rally car racing, etc.).

Bigben Interactive SA has gradually increased its interest in Kylotonn SAS since July 2017 and acquired the remaining interest on 2 October 2018. It is wholly owned by the Company following the spin-off completed on 31 October 2019.

EKO SOFTWARE SAS

Eko Software is a *société par actions simplifiée* incorporated under French law.
Its business is developing video games in highly popular genres like action/RPG, Hack'n Slash and sports simulation games.

On 18 October 2018, Bigben Interactive SA acquired all of the capital and voting rights of development studio Eko Software SAS. It is wholly owned by the Company following the spin-off completed on 31 October 2019.

SPIDERS SAS

Spiders is a *société par actions simplifiée* incorporated under French law.

Its business is developing all kinds of role-playing games. On 3 September 2019, Bigben Interactive SA acquired all of the capital and voting rights of development studio Spiders SAS. It is wholly owned by the Company following the spin-off completed on 31 October 2019.

Newly created companies

NACON GAMING INC.

Nacon Gaming Inc. is a limited liability company incorporated on 11 February 2020 under the laws of Delaware in the United States, where it has its principal place of business. It has a commercial office in Seattle (Washington State) and a logistics centre in Santa Cruz (California).

It supports the Group's video games and accessories business in the United States. Its purpose is to develop sales of RIG™ headsets and other NACON Group products in the United States.

NACON Pty Ltd

NACON Pty Ltd. is a proprietary limited company incorporated under Australian law on 17 March 2020.

It supports the Group's accessories business in Australia and its purpose is to develop sales of RIG™ headsets and other NACON Group products in Australia.

Joint venture

BIGBEN INTERACTIVE USA INC.

A 50/50 joint venture with RDS Industries Inc, Torance, California, created in 2013/14, this company no longer has any business activity and the intention is to wind it up.

Non-controlling interests

LUNAR GREAT WALL STUDIOS S.r.l.

The Company has a non-controlling 43.15% interest in the share capital and voting rights of Italian company Lunar Great wall Studios S.r.l. (known under the trading name RaceWard), incorporated under Italian law. The co-founder owns the remaining 50.75% but has granted the Company a call option on a further 10% of the capital exercisable until 31 July 2021.

6.3 MAIN INTRA-GROUP TRANSACTIONS

NACON's main intra-group transactions are:

Within the Group:

- Development costs incurred by the development studios charged to NACON SA: the studios develop games, each at a cost of several million euros divided into milestones throughout the development period (usually two years). These milestones are paid by NACON SA to the studios;

- Accessories supplied by NACON SA to NACON HK Ltd: NACON HK Ltd negotiates prices with the Group's Chinese manufacturing sub-contractors, monitors their production from a 'quality assurance' standpoint, and is responsible for logistics and shipping the products the Lauwin-Planque logistics platform for NACON SA. NACON HK Ltd bills NACON SA for these services. NACON SA's European distribution subsidiaries then source the products from NACON SA.

With the Bigben Interactive group (parent company):

- Logistics services (storage, order preparation and shipment) provided by the Lauwin-Planque logistics platform owned by Bigben Interactive SA are billed to NACON SA and its subsidiaries at a rate of 2.5% of gross revenue before any price reduction or discount, excluding product taxes and excluding NACON SA's sales of digital video games. This agreement has been entered into on an arm's length basis, particularly as regards the fees paid for the services, which are in line with those practised by outside service providers;

- To a lesser extent, the supply of
  - Audio products by Bigben Interactive SA to certain NACON SA subsidiaries[32] which continue to sell a few other Bigben Group products in addition to NACON's gaming

[32] Prior to the spin-off in October 2019 from Bigben Interactive to NACON, the subsidiaries Bigben Interactive Italia, Bigben Interactive Belgium, Bigben Interactive GmbH and Games.fr generated less than €2 million of revenue in Audio and Mobile. At the time of the spin-off, it was decided not to split out these activities and create a second local subsidiary for the Audio/Telco business, which would not have had the critical mass required to operate on a stand-alone basis. These revenues come under the "Other" category of NACON's revenue.

products; the Audio products concerned are Bluetooth speakers, sound bars, etc.;
  - The supply of Mobile products by Bigben Connected SAS to those same NACON SA subsidiaries: the Mobile products concerned are mobile phone accessories (cables, protective cases and covers, etc.);
  - Sales for those distribution subsidiaries at 31 March 2020 amounted to €6.1 million, i.e. 4.7% of the NACON Group's annual revenue;

- Cross-invoicing of administrative services provided by Bigben Interactive SA and NACON SA, amounting to €23,800 in favour of Bigben Interactive SA and €48,800 in favour of NACON SA (a net amount of €25,000 per month in favour of NACON SA);

- Rent for offices and shared space made available by Bigben Interactive SA to NACON SA within its premises, amounting to €0.2 million a year; this agreement has been entered into on an arm's length basis;

- A cash management agreement between Bigben Interactive and NACON, enabling them to carry out cash transactions between each other as permitted under the provisions of Article L.511-7, I-3 of the French Monetary and Financial Code (*code monétaire et financier*). Each company may grant the other advances at market interest rates.

<u>Between Bigben Interactive group subsidiaries</u>

- The Bigben España subsidiary will invoice its sister company NACON Gaming España for administrative services provided by employees working for both companies;

- The Bigben HK Ltd subsidiary will invoice its sister company NACON HK Ltd for administrative services provided by employees working for both companies.

See also Section 17 "Transactions with related parties" and section 2.4.4 of the consolidated financial statements provided in Section 18.1.6.

7. EARNINGS AND FINANCIAL POSITION

The financial information in this section is taken from the Group's consolidated annual financial statements prepared in accordance with IFRSs as endorsed by the European Union for the financial years ended 31 March 2018, 31 March 2019 and 31 March 2020. Readers are invited to read this analysis of the Group's earnings and financial position for the financial year ended 31 March 2020, together with the Group's financial statements and the notes to the financial statements set out in section 18.1.6 of this Universal Registration Document and any other financial information contained in this Universal Registration Document.

Definitions and alternative performance indicators:

Income statement indicators

Definition of gross profit:

NACON calculates gross profit as the difference between revenue and purchases consumed in relation to Retail sales (Retail games and accessories, audio/mobile products). Gross margin is the percentage of revenue represented by gross profit.

Definition of EBITDA:

EBITDA (earnings before interest, taxes, depreciation and amortisation) is defined as recurring operating income before impairment, depreciation of property, plant and equipment and amortisation of intangible assets. It is equivalent to earnings before interest, taxes, depreciation, amortisation and provisions on non-current assets (but after additions to provisions on inventories and trade receivables). Since EBITDA is based on recurring operating income, it does not factor in IFRS 2 expenses relating to bonus shares and stock options or other non-recurring operating items, since they are excluded from recurring operating income. The Group regards EBITDA, which is a non-GAAP metric, as a performance measure.

Full-year EBITDA

(in thousands of euros)	2019/20	2018/19	2017/18
Recurring operating income	**22,620**	**12,542**	**3,728**
Depreciation and amortisation of non-current assets	25,741	20,817	10,864
EBITDA	**48,361**	**33,359**	**14,591**

Definition of recurring operating margin:

In accordance with CNC recommendation 2013 R.03, recurring operating income is recurring operating revenue minus recurring operating expenses. As a result, recurring operating margin is recurring operating income divided by revenue.

For convenience, the "Statement of profit or loss and other comprehensive income" is referred to as the "Income statement" in the consolidated financial statements in section 18.1.6.

Either NACON's alternative performance indicators are based directly on accounting data (gross profit) or their calculation appears just below the tables concerned (EBITDA and balance-sheet indicators).

7.1 FINANCIAL POSITION

Since NACON's alternative performance indicators are not adjusted with respect to accounting data, for convenience NACON includes them directly in the income statement tables in this section 7 (gross profit) or just below them (EBITDA).

The Company was not incorporated until 18 July 2019, and Bigben Interactive's former Gaming division was spun off into it on 31 October 2019, the date of its Shareholders' General Meeting, with retroactive effect for accounting and tax purposes from 1 October 2019. As a result, the company does not have any historical financial information of its own strictly speaking.

To present an economic overview of the Group's scope, combined financial statements have been prepared for the aforementioned accounts closing dates and periods using the accounting documents used to prepare the Bigben Interactive group's consolidated financial statements for the same periods, since NACON was not created until after the legal restructuring and spin-off that took place on 31 October 2019.

Readers are invited to read the following information concerning the Group's earnings together with its consolidated financial statements for the financial years ended 31 March 2019 and 2020 as included in section 18 of this Universal Registration Document.

The combined financial statements include financial information relating to Bigben Interactive's Gaming business but, unlike proforma financial statements, only factor in acquisitions of development studios from the actual date of their acquisition. The combined financial statements are not necessarily representative of the consolidated financial statements that would have been prepared if legal restructuring and spin-off had taken place earlier.

The Group's combined financial statements for the aforementioned periods have been prepared in accordance with IFRSs as adopted by the European Union and have been audited.

As well as the consolidated and combined financial statements, section 18 of this Universal Registration Document also features NACON's statutory financial statements for the financial year ended 31 March 2020 and the audit report on those statutory financial statements.

7.1.1 Business performance

Performance by business line

in thousands of euros		12-month total			Contribution		
		2019/20	2018/19	2017/18	2019/20	2018/19	2017/18
Revenue		**129,427**	**113,101**	**95,568**	**100%**	**100%**	**100%**
of which	*Gaming Accessories*	52,596	55,242	52,235	41%	49%	55%
	Physical games	20,471	29,931	25,619	16%	26%	27%
	Digital games	48,940	20,332	9,196	38%	18%	10%
	Other	7,421	7,596	8,518	6%	7%	9%

The "Other" category includes the Mobile and Audio sales of the German, Belgian, Italian and Games.fr subsidiaries. As well as NACON products, those subsidiaries distribute Bigben Connected SAS mobile phone accessories (cables, cases, screen protectors etc.) and Bigben Interactive SA audio products (Bluetooth speakers, soundbars etc.) to their customers.

In the 2019/20 financial year, NACON generated revenue of €129.4 million, an increase of 14.4%, despite a slight decrease in the fourth quarter.

- Revenue from games amounted to €70.7 million, up 40.6%. That increase was driven by the success of numerous new games, including *Warhammer®: Chaosbane* and *WRC8,* which received from a Metacritic score of 79% for the PlayStation 4™ version. Digital sales continued to rise sharply, totalling €48.9 million as opposed to €20.3 million the previous year. They therefore made up 70.5% of Video Games revenue versus 41% a year earlier. That growth is consistent with market trends and accelerated in late March 2020 because of the lockdown effect.
- Gaming Accessories revenue amounted to €52.6 million, down 4.8% year-on-year, because there were no major new accessory launches in 2019/20 apart from the *REVOLUTION Pro Controller 3* for PlayStation 4™.

Performance by quarter

The Group has not identified any material event that could affect seasonal variations in its business. Although the Group's business levels may vary according to the release schedule of certain games and increase towards the end of the calendar year (mainly in the Gaming Accessories business), the Group believes that these factors are unlikely to produce significant seasonal variations in its earnings. In addition, the increasing proportion of consolidated revenue coming from digital sales means that business levels are becoming steadier throughout the year.

in millions of euros	2019/20	2018/19	2017/18
First quarter	30.5	24.3	15.8
Second quarter	33.2	24.2	24.2
First half	**63.7**	**48.5**	**40.0**
Third quarter	40.5	34.7	31.0
Fourth quarter	25.2	29.8	24.5
TOTAL	**129.4**	**113.1**	**95.5**

During the 2019/20 financial year, after business activity grew significantly in the first half, growth slowed in the third quarter and business levels contracted in the fourth.

Growth in the first half of 2019/20 mainly arose from digital sales of video games invoiced from France, which more than tripled. Gaming Accessories revenues were also boosted by sales of NACON®-branded controllers.

- Video Games revenues in that period were driven by the launch of *WRC8* and *FIA European Truck Racing Championship. WRC8* in particular significantly outsold *WRC7* in the launch phase. Digital sales accounted for 41% of the total as opposed to 17% a year earlier (an increase of 217%), driven in particular by the emergence of new distribution platforms.

- Gaming Accessories sales were boosted by the *Revolution Unlimited Pro Controller* for PlayStation 4™ being marketed in Japan and the success of accessories developed for the launch of the Nintendo Switch Lite™. As a result, Gaming Accessories revenue rose by 27.2% to €18.6 million in the first half of 2019/20.

Following on from the previous two quarters, revenue continued to grow in the third quarter of 2019/20, rising 16.4% year-on-year to €40.5 million.

- With revenue of €17.2 million, up 38.3%, the Video Games segment benefited in particular from the launch of several new titles, including *Bee Simulator* and *Farmer's Dynasty,* developed in partnership with external studios. At the same time, digital sales continued to rise, accounting for 70% of Video Games revenue in the third quarter of 2019/20.

- Gaming Accessories revenue also grew 6.8% to €20.5 million, particularly following the launch of the *REVOLUTION Pro Controller 3* for PlayStation 4™ in October 2019, which strengthened NACON's product range in the premium segment, and further sales of Nintendo SWITCH™ accessories.

After three quarters of firm business growth, however, NACON's sales fell in the fourth quarter of 2019/20, with revenue declining 15.5%. The Gaming Accessories business was particularly affected because of a high base for comparison in terms of product launches and, to a lesser extent, the consequences of the Covid-19 crisis, which caused the closure of retail outlets.

- Video Games revenue continued to show strong growth, coming in at €15.7 million (versus €10.4 million in the fourth quarter of 2018/19), due to rising digital sales, which received a boost from the lockdown effect. Digital sales rose by a factor of 2.7 during the period and generated revenue of €11.0 million during the fourth quarter as opposed to €4.1 million in the year-earlier period. That growth in digital sales was supported by a strong back catalogue, which is growing larger every year. In terms of physical sales, newly launched games *AO*

Tennis 2, Rugby 20, *Overpass* and *TT Isle of Man 2* performed in line with expectations.

- Gaming Accessories revenue fell sharply to €8.5 million from €17.7 million a year earlier, due to a high base for comparison in terms of product launches, since the *REVOLUTION Unlimited Pro Controller* and *Asymmetric Wireless Controller* for PS4™ were both released in the fourth quarter of 2018/19. In addition, the closure of many stores due to Covid-19 also affected Gaming Accessories sales in the second half of March 2020.

Breakdown of revenue by type of customer:

in thousands of euros	12-month total			Contribution		
	2019/20	2018/19	2017/18	2019/20	2018/19	2017/18
Revenue	**129,427**	**113,101**	**95,568**	**100.0%**	**100.0%**	**100.0%**
of which France	27,419	34,503	19,112	21.2%	30.5%	20.0%
Export	102,008	78,597	76,457	78.8%	69.5%	80.0%

Although historically Bigben Interactive presented the geographical breakdown of its revenue by destination country (taking account, as regards digital sales, the country in which the end-consumer downloaded the Group's games from digital platforms), the table above relating to NACON breaks down revenue according to the country in which the invoiced customer is located. As a result, this approach is a closer reflection of the Group's effective customers (based on invoices raised) and no longer reflects the end-consumers who use the products and services produced by NACON (information based on internal reporting).

Segment reporting:

NACON sells a wide range of video games and gaming accessories that meet demand in its market.

As explained in section 2.2.3 above, as part of the Group's reorganisation and the spin-off of its Gaming business to form NACON, Bigben Interactive adjusted its business segments in 2019/20.

As part of the Group's reorganisation and the spin-off of the Gaming business to form NACON, the Gaming activities of Bigben Interactive SA, Bigben Interactive Hong Kong Ltd and Bigben Interactive España were carved out and placed into entities specially created for that purpose. The Group's other subsidiaries were placed within the Gaming division and their shares were transferred to NACON SAS.

Given the highly integrated new organisation of the Gaming business, a large proportion of costs are shared between the video games and accessories businesses. The video games and accessories businesses share most of their customers. As a result, the Group only calculates recurring operating income at the Group level.

Games developed by the acquired studios Kylotonn, Cyanide, EKO and Spiders are marketed by all Group entities and therefore contribute to NACON's overall cash flow.

NACON has its own sales, marketing and finance functions.

Sales of games in digital form are invoiced exclusively from France.

The Group's distribution subsidiaries based outside France handle physical sales of all gaming products. The subsidiary based in Hong Kong mainly handles the development and procurement of accessories from manufacturing partners.

As a result, each NACON group subsidiary has a specific role in the Group's value chain.

Accordingly, the NACON group considers that it operates within a single operational business segment, "NACON Gaming", which includes the development, publishing and distribution of video games along with the design and distribution of accessories for games consoles and PCs. The video games and accessories businesses address the same market and have the same economic characteristics.

The information presented below is that is now used by the NACON group's chief operating decision maker for internal reporting purposes. The NACON group's chief operating decision maker within the meaning of IFRS 8 is a two-person team consisting of the NACON group's Chairman/CEO and COO.

7.1.2 Forecast developments and R&D activities

Implications of the Covid-19 (coronavirus) crisis

The impact of Covid-19 is twofold: negative in the short term on accessories but positive on digital games sales, with the overall effect being slightly negative in terms of revenue but positive in terms of earnings because of higher margins on digital sales.

In operational terms, support staff and development teams have been working remotely since mid-March 2020. Only a few staff members, whose work was limited or impossible to carry out remotely, have been put on furlough. As described in the Declaration of Extra-Financial Performance in section 5.7.4, NACON has been easing lockdown measures rapidly since May 2020, protecting the health of its staff members and third parties when they return to the Group's premises and allowing activity to resume gradually in accordance with health guidelines.

Procurement of accessories from the Group's suppliers has been back to normal since mid-April 2020. NACON can rely on its fast-growing digital sales and has invested in improving its e-commerce sites for its main product ranges.

No major delays to new game releases are expected. The release of *TT Isle of Man 2* for *Switch™, Tour de France, Pro Cycling manager* and *Hunting Simulator 2* in the first quarter of the financial year and then *WRC9* in the second quarter should support revenue in the first half of 2020/21 (from early April to late September 2020). Following the agreement with Poly (Plantronics Inc.) in the fourth quarter of 2019/20 regarding the acquisition of its gaming headset business and its premium RIG™ brand, NACON will roll out RIG™ headsets in the USA and Australia.

NACON is not expecting any cash flow problems in the next few months, since it has a large cash position following its recent IPO, through which it raised €109 million in March 2020. The Group is now using those new financial resources as part of its NACON 2023 strategic plan as presented in section 10.1.

Apart from the information set out above, the Company has not identified any elements or factors of a governmental, economic, budgetary, monetary or political nature that may have materially influenced or may materially influence, directly or indirectly, its business in the next 12 months.

Guidance - Current financial year and medium term

In NACON's view, the Covid-19 crisis is no longer affecting accessories sales and is continuing to boost digital games sales.

As a result, the Group is expecting revenue of €140-150 million in 2020/21 and is aiming for recurring operating margin of around 18%.

On a medium-term view, the Group is maintaining its financial targets for 2022/23, i.e. revenue of €180-200 million and recurring operating margin of over 20%.

R&D activities

See sections 5.5 and 5.7 for more details about the Group's R&D activities.

In the 2018/19 and 2019/20 financial years, the Group took the view that the conditions for capitalising R&D expenses were met for certain projects. As a result, the Group either expensed (for accessories) or capitalised (for games) its R&D costs for the relevant period.

Capitalised R&D costs amounted to €30.1 million in 2018/19 and €32.8 million in 2019/20.

Finally, since the acquisition of development studios in 2018 and 2019, the Group – via its French and Canadian studios – has also benefited from the French video game tax credit (CIJV). Through a French government decree of 9 August 2017, the French CIJV was increased from 20% to 30% of a company's development expenditure, capped at €6 million per year as opposed to €3 million previously. As a result, the Group benefited from a CIJV of €3.0 million in 2019/20.

7.2 OPERATING INCOME

7.2.1 Recurring operating income

(in thousands of euros)	2019/20	2018/19	2017/18
Revenue	**129,427**	**113,101**	**95,568**
Purchases consumed	(50,377)	(50,691)	(55,697)
Gross profit	**79,050**	**62,410**	**39,872**
Gross margin (% of revenue)	***61.1%***	***55.2%***	***41.7%***
Other operating revenue	705	546	320
Other purchases and external expenses	(19,272)	(18,319)	(15,267)
Taxes other than income tax	(702)	(899)	(539)
Personnel costs	(10,985)	(9,834)	(9,299)
Other operating expenses	(436)	(544)	(496)
Depreciation and amortisation of non-current assets	(25,741)	(20,817)	(10,864)
Recurring operating income	**22,620**	**12,542**	**3,728**
Recurring operating margin (% of revenue)	***17.5%***	***11.1%***	***3.9%***

EBITDA calculation

(in thousands of euros)	2019/20	2018/19	2017/18
Recurring operating income	**22,620**	**12,542**	**3,728**
Depreciation and amortisation of non-current assets	25,741	20,817	10,864
EBITDA	**48,361**	**33,359**	**14,591**
EBITDA margin (% of revenue)	***37.4%***	***29.5%***	***15.3%***

With revenue up 14.4% and a significant increase in the proportion of revenue coming from the Video Games segment (54.6% in 2019/20 as opposed to 44.5% in 2018/19), the Group achieved a significant increase in recurring operating income in 2019/20, which amounted to €22.6 million versus €12.5 million in the previous year (an increase of 80.4%).

That improvement was made possible by a significant increase in gross margin (61.1% in 2019/20 versus 55.2% in 2018/19), due to the shift in the business mix to the Publishing segment. As well as the increase in gross margin, the smaller increase in external expenses (5.2%) and personnel expenses (11.7%) compared with revenue growth also supported the significant rise in earnings (it should be noted that most staff members recruited in the last few years have been assigned to games development and so the related personnel expenses are capitalised).

Recurring operating income of €22.6 million takes into account €25.7 million of depreciation and amortisation charges on non-current assets in 2019/20 (an increase of 23.7%). Those charges are partly explained by the increase in the quality of video games recently developed and released by the Group.

The increase in those charges arises mainly from the growth in the catalogue in terms of both development costs and number of titles.

EBITDA totalled €48.4 million in 2019/20, up 45.0% year-on-year. EBITDA margin was 37.4%, up 7.9 points year-on-year.

EBITDA was boosted by the first-time adoption of IFRS 16 “Leases” in 2019/20. As a lessee, the Group now recognises:

- a “right-of-use asset relating to leases”, representing its right to use the underlying asset, on the asset side of its balance sheet,

- a lease liability, representing its obligation to make future lease payments, on the liabilities side of its balance sheet.

- It also recognises an amortisation charge on the right-of-use asset relating to leases and an interest expense on the associated lease liabilities, instead of the operating lease expenses previously recognised.

The adoption of IFRS 16 had a non-material negative impact (€40 thousand) on recurring operating income and a positive €1.6 million impact on EBITDA.

7.2.2 Non-recurring operating items

in thousands of euros	2019/20	2018/19	2017/18
Recurring operating income	**22,620**	**12,542**	**3,728**
Recurring operating margin (% of revenue)	***17.5%***	***11.1%***	***3.9%***
Bonus share and stock-option plans	(2,038)	(1,321)	(632)
Other non-recurring operating items	0	2,243	
Income from associates	(1)	(87)	57
Operating income	**20,580**	**13,377**	**3,152**

In 2019/20, non-recurring items broke down as follows:

- IFRS 2 expenses arising from recognising bonus shares granted to NACON employees and corporate officers by Bigben Interactive at fair value, which doubled year-on-year to €2.0 million because of new bonus share entitlements granted to the employees and corporate officers of newly acquired development studios. In 2018/19, that expense had already increased due to Cyanide’s integration within NACON,

- the presence within the “income from associates” item of income accounted for under the equity method relating to the Bigben Interactive USA joint venture. In 2018/19, the Group’s share in the income of Kylotonn SAS, a studio that was not fully acquired until early October 2018, was also included.

8. CASH POSITION AND CAPITAL

The financial information in this section is taken from the Group's combined annual financial statements prepared in accordance with IFRSs as endorsed by the European Union for the financial years ended 31 March 2019 and 31 March 2020. Readers are invited to read this analysis of the Group's earnings and financial position for the financial year ended 31 March 2020, together with the Group's financial statements and the notes to the financial statements set out in section 18.1.6 of this Universal Registration Document and any other financial information contained in this Universal Registration Document.

Definitions and alternative performance indicators:

Balance sheet indicators

Definition of gross debt:

Gross debt refers to the company's medium- and long-term financial liabilities, along with short-term bank facilities. NACON calculates gross debt as the sum of long-term and short-term financial liabilities.

Definition of net debt and net cash

Net debt and net cash refer to the balance of the company's financial liabilities, financial investments and cash and cash equivalents. That balance may be positive or negative, and represents the company's financial position with respect to third parties. NACON calculates that balance by deducting gross debt from cash and cash equivalents.

Definition of gearing:

Gearing is a ratio that relates to a company's funding. It compares a company's overall debt with its equity, and reflects its solvency. NACON calculates gearing by calculating its net debt as a proportion of its total equity.

For convenience, the "Statement of financial position" in the consolidated financial statements in section 18.1.6 is referred to as the "Balance sheet" in this section.

8.1 INFORMATION ON THE COMPANY'S CAPITAL, LIQUIDITY AND FUNDING SOURCES

Key balance-sheet figures in the last three financial years

in thousands of euros	31 March 2020	31 March 2019	31 March 2018
Non-current assets	**105,758**	**80,370**	**26,790**
Current assets	**193,775**	**68,071**	**58,000**
Total assets	**299,533**	**148,441**	**84,790**
Total equity	**187,621**	**67,544**	**43,559**
Non-current liabilities	**53,081**	**32,855**	**11,864**
Current liabilities	**58,831**	**48,042**	**29,367**
Total equity and liabilities	**299,533**	**148,441**	**84,790**

Non-current assets:

in thousands of euros	31 March 2020	31 March 2019	31 March 2018
Goodwill	29,072	23,454	1,088
Right-of-use assets	3,512		
Other intangible assets	68,154	52,139	21,815
Property, plant and equipment	1,006	950	362
Shares in associates	43	44	535
Other financial assets	1,073	514	257
Deferred tax assets	2,897	3,269	2,734
Non-current assets	**105,758**	**80,370**	**26,790**

Non-current assets increased by €25.4 million between 31 March 2019 and 31 March 2020, due in particular to the acquisition of the Kylotonn and Eko Software development studios in October 2018 and Spiders in September 2019, along with the purchase of a stake in Italian studio RaceWard in July 2019.

The Group's non-current assets currently include around €29.1 million of goodwill relating to the acquisition of the aforementioned studios, along with €71.7 million of other intangible assets. Other intangible assets mainly correspond to capitalised video game development costs, but also assets relating to the RIG™ brand acquired at the end of the 2019/20 financial year.

As mentioned in chapter 7, the 2019/20 financial year was also affected by the first-time adoption of IFRS 16 "Leases". As a lessee, the Group now recognises:

- a "right-of-use asset relating to leases", representing its right to use the underlying assets, on the balance sheet, amounting to €3.5 million at 31 March 2020,

- a lease liability, representing its obligation to make future lease payments, on the liabilities side of its balance sheet, amounting to €3.5 million at 31 March 2020 (€2.0 million long-term and €1.5 million short-term),

- an amortisation charge on the right-of-use asset relating to leases and an interest expense on the associated lease liabilities, instead of the operating lease expenses previously recognised.

Current assets:

in thousands of euros	31 March 2020	31 March 2019	31 March 2018
Inventories	27,417	20,449	20,135
Trade receivables	39,529	32,970	27,202
Other receivables	11,763	6,787	4,083
Current tax assets	4,137	1,096	
Cash and cash equivalents	110,929	6,769	6,580
Current assets	**193,775**	**68,071**	**58,000**

The increase in current assets (excluding cash and equivalents) is mainly due to higher trade receivables, which totalled €39.5 million at 31 March 2020 (up 19.9% compared with 31 March 2019) and an increase in inventories, which totalled €27.4 million at 31 March 2020 (up 34.1% compared with 31 March 2019). Those increases were due to business growth and large digital sales at the end of the financial year. Inventories were affected by the Covid-19 crisis and the substantial decrease in sales of physical products at the end of 2019/20, but also by the acquisition of RIG™ headsets in March 2020.

Cash and cash equivalents amounted to €110.9 million at 31 March 2020 as opposed to €6.8 million at 31 March 2019. The increase was due in particular to NACON's IPO and related capital increase, which increased the Company's cash position by €103.0 million after expenses.

Funding sources

In 2019/20, NACON received around €142.8 million in total funding, mainly from:

- a €103.0 million capital increase in cash at the time of the Company's IPO,
- €36.1 million of new borrowings,
- €3.0 million of government support via the video game tax credit (CIJV/CITM),
- €0.7 million of tax rebates resulting from the CIR research tax credit system.

The contribution of the main funding sources (bank borrowings and CIJV) during the period presented is set out in the sections below.

Borrowings and net cash

The Group borrows money to fund the development of its games and to make acquisitions.

Since the end of 2016, to fund its working capital requirement, development costs and the acquisition of its four development studios (Kylotonn, Cyanide, Eko Software and Spiders), medium-term borrowings initially taken out by Bigben Interactive, totalling around €62 million, were transferred to the Company. New borrowings have been arranged since that transfer, and so there was €65.9 million of borrowings still to be repaid at 31 March 2020.

The €15.6 million of borrowings that were long-term at inception and due to mature before 31 March 2021 consist of repayments on loans from around 20 banks and other financial institutions, as provided for in the loan agreements. Those medium-term loans were taken out either to finance studio acquisitions or to cover game development costs.

The Group's net cash at 31 March 2020 broke down as follows:

Key figures from the last three financial years (combined basis)

in thousands of euros	31 March 2020	31 March 2019	31 March 2018
Cash and cash equivalents	110,929	6,769	6,580
Gross debt	68,140	44,953	17,157
Net cash / Net debt	**42,789**	**(38,185)**	**(10,577)**
Gearing	**-22.8%**	**56.5%**	**24.3%**
Net cash / Net debt	**(42,789)**	**38,185**	**10,577**
EBITDA	48,361	33,359	14,591
Net leverage (Net debt / EBITDA)	**-0.9**	**1.1**	**0.7**

Funding through government support - CIJV

Through a French government decree of 9 August 2017, the French video game tax credit (CIJV) was increased from 20% to 30% of a company's development expenditure, capped at €6 million per year as opposed to €3 million previously.

In 2019/20, the Group's studios therefore benefited from a CIJV of €3.0 million.

8.2 CASH FLOW

in thousands of euros	2019/20	2018/19	2017/18
Funds from operations	**48,725**	**33,759**	**14,224**
Change in WCR	**(23,067)**	**(12,268)**	**(1,161)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**22,613**	**19,848**	**12,064**
NET CASH FLOW FROM INVESTING ACTIVITIES	**(42,849)**	**(43,579)**	**(18,624)**
NET CASH FLOW FROM FINANCING ACTIVITIES	**126,687**	**22,436**	**12,501**
Net change in cash and cash equivalents	**106,432**	**(1,294)**	**5,941**
Cash and cash equivalents at start of period	2,289	3,583	(2,358)
Cash and cash equivalents at end of period	**108,721**	**2,289**	**3,583**

8.2.1 Cash flow from operating activities

in thousands of euros	2019/20	2018/19	2017/18
Net income for the period	**15,300**	**10,706**	**2,169**
Elimination of income and expenses that have no cash impact or are unrelated to operating activities			
• Income from associates	1	87	(57)
• Attributable to non-controlling interests	(44)		
• Additions to depreciation, amortisation and impairment	25,741	20,817	10,864
• Change in provisions	41	83	12
• Net gain or loss on disposals		(6)	(2)
• Net financial income/expense	944	706	478
• Other non-cash income and expense items	2,038	(922)	632
• Income tax expense	4,704	2,289	128
Funds from operations	**48,726**	**33,759**	**14,224**
Inventories	(6,968)	(314)	(2,313)
Trade receivables	(13,906)	(3,883)	(2,228)
Trade payables	(2,194)	(8,072)	3,379
Change in WCR	**(23,067)**	**(12,268)**	**(1,161)**
Cash from operating activities	**25,659**	**21,491**	**13,062**
Income tax paid	(3,046)	(1,643)	(998)
NET CASH FLOW FROM OPERATING ACTIVITIES	**22,613**	**19,848**	**12,064**

As shown by the financial statements for 2019/20, net cash flow from operating activities was positive after tax and interest paid, at €22.6 million, as opposed to €19.8 million in 2018/19.

The increase was mainly due to:

- a significant increase in funds from operations (+44.3%), which continued to benefit from improving operating income. NACON's funds from operations totalled €48.7 million in 2019/20,

- changes in the working capital requirement, which dragged down cash flow by €23.1 million in 2019/20 because of changes in items corresponding to operating assets, i.e. an increase in trade receivables (up €13.9 million) and product inventories (up €7.0 million).

8.2.2 Net cash flow from investing activities

in thousands of euros	Notes	2019/20	2018/19	2017/18
Cash flow from investing activities				
Purchases of intangible assets	2	(35,408)	(29,423)	(17,957)
Of which amortisation of right-of-use assets relating to premises included in development costs		622		
Purchases of net intangible assets		(34,786)		
Purchases of property, plant and equipment	3	(477)	(484)	(241)
Disposals of property, plant and equipment and intangible assets		0	38	3
Purchases of financial assets	5	(549)	(10)	(430)
Disposals of non-current financial assets		3	87	2
Dividends received		0		
Disbursements relating to acquisitions of subsidiaries net of net cash acquired		(7,040)	(13,786)	
NET CASH FLOW FROM INVESTING ACTIVITIES		(42,849)	(43,579)	(18,624)

As shown by the financial statements for 2019/20, net cash flow from investing activities represented an outflow of €42.8 million, as opposed to €43.6 million in 2018/19.

The change was mainly due to:

- NACON's increasing business levels, particularly in publishing and development (expenditure of €35.4 million in 2019/20, 20.3% higher than the 2018/19 figure of €29.4 million),
- the net amount disbursed (€7.0 million in 2019/20 versus €13.8 million in 2018/19) in relation to earn-out payments on the Cyanide and Eko Software development studios in 2018/19 and on the acquisitions of/increased investment in Spiders and RaceWard in 2019/20.

8.2.3 Net cash flow from financing activities

in thousands of euros	2019/20	2018/19	2017/18
Cash flow from financing activities			
Capital increase	102,975		
Dividends paid to the parent company's shareholders			
Interest paid	(903)	(706)	(478)
Cash inflows from borrowings	36,093	28,940	13,801
Repayments of borrowings and debts	(11,476)	(5,798)	(822)
Other	(1)		
NET CASH FLOW FROM FINANCING ACTIVITIES	126,687	22,436	12,501

As shown by the financial statements for 2019/20, net cash flow from financing activities represented an inflow of €126.7 million, as opposed to €22.4 million in 2018/19.

The change was mainly due to:

- NACON's successful IPO, which included a capital increase that generated net proceeds of €103.0 million,
- new borrowings totalling around €36.1 million during the financial year (intended in particular to fund the acquisition of development studio Spiders SAS and new video game development costs), as opposed to €11.5 million of repayments during the same period, resulting in a net cash inflow of €24.6 million.

8.3 INFORMATION ON THE COMPANY'S BORROWING TERMS AND FUNDING STRUCTURE

8.3.1 Funding structure

At 31 March 2020, the Group's funding structure was as follows:

- equity attributable to equity holders of the parent of €187.9 million,

- net cash of €42.8 million, taking into account €110.9 million of available cash and equivalents and €68.1 million of debt.

Obviously, the Company's successful capital increase at the time of its IPO on Euronext in March 2020 had a major impact on these figures, since NACON raised €103.0 million in the transaction.

The arrangements relating to the transfer of loans originally taken out by Bigben Interactive to NACON were as follows:

- transfer costs were paid by NACON,
- the interest rates and covenants of the transferred loans remained the same.

In 2019/20, NACON took out around €36.1 million of new borrowings (intended in particular to fund the acquisition of development studio Spiders SAS and new video game development costs), and repaid €11.5 million of borrowings during the same period, resulting in a net cash inflow of €24.6 million.

8.3.2 Funding policy

The Group's funding requirements have been as follows in the last 24 months:

Non-current assets: acquisitions and development costs

In 2018/19, Bigben Interactive took out €28.8 million of new medium-term loans from banks and Bpifrance to fund its Gaming division and in particular to fund the acquisition of three development studios – Cyanide SAS, Eko Software SAS and Kylotonn SAS – along with video game development costs. The Bigben Interactive group made repayments on the corresponding medium-term borrowings and finance leases as scheduled.

To pay part of the purchase price for Cyanide and Eko Software in 2018, an issue of new Bigben shares also took place.

Between 1 April 2019 and 30 September 2019, Bigben Interactive also took out new medium-term bank borrowings totalling €19.0 million to fund the acquisition of Spiders SAS, the purchase of the equity stake in RaceWard and development costs in the Gaming division.

All of those borrowings were transferred by Bigben Interactive to NACON through the spin-off on 31 October 2019, with retroactive effect for accounting purposes from 1 October 2019.

Since October 2019, NACON has also taken out two medium-term 5-year loans in its own name for €6.0 million and €5.0 million respectively from two financial institutions to fund its working capital requirement, development costs and/or future acquisitions, including the acquisition of RIG™ assets (gaming headsets and brand) from Plantronics Inc in a deal announced in early 2020 and completed in March 2020.

Working capital requirement (WCR)

The Group uses short-term borrowings and factoring to fund its working capital requirement. In particular, NACON Hong Kong Ltd has certain short-term credit facilities.

Finance lease liabilities

Apart from vehicle leases, NACON does not use this kind of funding.

All of Bigben Interactive's outstanding finance leases except those relating to the car fleet concern the Lauwin-Planque logistics site, which remains within Bigben Interactive. As a result, they were not transferred to NACON in the 31 October 2019 spin-off.

8.4 RESTRICTIONS ON THE USE OF CAPITAL

There are no restrictions on the Company's use of capital.

However, please refer to the notes to the consolidated financial statements, particularly as regards banking covenants.

8.5 FUNDING SOURCES REQUIRED FOR THE FUTURE

With the success of its IPO and the associated fundraising transaction in a net amount of €103.0 million, NACON currently takes the view that its financial resources are comfortably sufficient for it to implement its strategic plan between now and 2023, which should enable the Group to achieve revenue of between €180 million and €200 million and operating margin of over 20% (see section 10 of the present URD).

9. REGULATORY ENVIRONMENT

It should be noted that the Group's carries out its business in accordance with the strictest standards arising from European Union directives regarding:

- environmental protection,
- consumer health and safety.

The need to comply strictly with those directives affects all stages of the lifecycle of products developed by NACON:

- design,
- manufacturing,
- distribution,
- use by the consumer.

NACON complies with the following standards and directives applicable to physical products:

- **WEEE (waste electrical and electronic equipment) directive**

The WEEE directive, applicable to European Union countries, aims to promote the recycling of electrical and electronic equipment (EEE) and to encourage designers to design easily recyclable products.

The directive came into force in November 2006 and requires manufacturers and importers of EEE to cover the cost of retrieving and processing waste electrical and electronic equipment. NACON took steps to comply with the WEEE directive as soon as it came into force in the European Union, when it was still part of Bigben Interactive.

- **Directive 2006/66/EC (batteries and accumulators and waste batteries and accumulators)**

This directive, which repealed directive 91/157/EEC, requires batteries and accumulators to be recycled and imposes restrictions on the use of mercury in batteries. Directive 2006/66/EC came into force in September 2008 and also introduced incentives for the collection and recycling of those products.

NACON's business bears no similarities with that of a battery manufacturer. However, some of its electronic accessories may feature batteries. In that case, the batteries (lithium etc.) are properly tested to ensure compliance with regulations. In addition, as part of its social and environmental responsibility approach, NACON has adopted a pro-active battery recycling policy at its head office.

- **Directive 94/62/EC (packaging and packaging waste – eco-packaging)**

This directive, by introducing financial contributions that can be substantial in some cases, requires manufacturers to make significant efforts to recycle the packaging used for their products. The materials used must be recoverable for recycling or incineration.

As regards recycling, NACON SA uses the waste collection, processing and recovery services of Eco-Systèmes, at Bigben Interactive's Lauwin Planque warehouse, in relation to the packaging of products sold in the French market.

- **Regulation (EC) 1907/2006 (REACH)**

This regulation concerns the production or importing of any chemical substance, including substances incorporated into any material, preparation or article. Any downstream use of such substances is also covered by this regulation. It requires all manufacturers and all importers to carry out extensive risk analyses and tests. A manufacturer must prove that the substance is harmless, failing which the product or substance concerned will be withdrawn from the market.

All of NACON's accessories contain plastic. To ensure they comply with REACH, they all undergo testing by certification organisations such as Intertek and SGS.

It should also be noted that, every two years, all of NACON's products are checked by the DDPP (regional department for protection of the population), part of France's DGCRF (directorate general for competition, consumer affairs and the prevention of fraud).

- **Directive 2009/48/EC (safety of toys)**

This directive relates more specifically to products used by children aged under 14. Its purpose is to establish safety requirements that toys sold in the EU must meet. Those requirements are designed to ensure a high level of health and safety in order to protect the public and the environment and to ensure the free movement of toys in the EU. It also sets out the specific responsibilities of the various participants in the supply chain, including the manufacturer, importer, retailer and distributor. The directive is updated periodically to set safety limits for chemical substances used in toys.

NACON's products are aimed mainly at an adult audience. Before its electronic products are launched in the market, NACON subjects them to a set of tests to ensure they comply with the required regulatory quality standards.

- **RoHS (restriction of hazardous substances) directive**

With the development of electrical and electronic products with increasingly short lifespans, industrialised countries took the view that urgent legislation was needed in this area. The European RoHS directive sends a strong signal, requiring environmental protection to be taken into account in the production process, and supplements the WEEE directive regarding recycling. By reducing the number of hazardous chemicals used in electrical and electronic equipment, the production of hazardous waste is minimised. The upstream reduction of hazardous substances also reduces recycling costs. All products made by Bigben Interactive since the directive came into force (July 2006) and then by NACON comply with RoHS standards applicable in the European Union.

- **Directive 2014/30/EU (electromagnetic compatibility – EMC)**

This directive requires specific efforts to be made in the design of electrical and electronic products so that they do not produce electromagnetic interference and cannot be affected by such interference. NACON has its products tested for compliance with the EMC directive.

- **Directive 2014/35/EU (low voltage directive – LVD)**

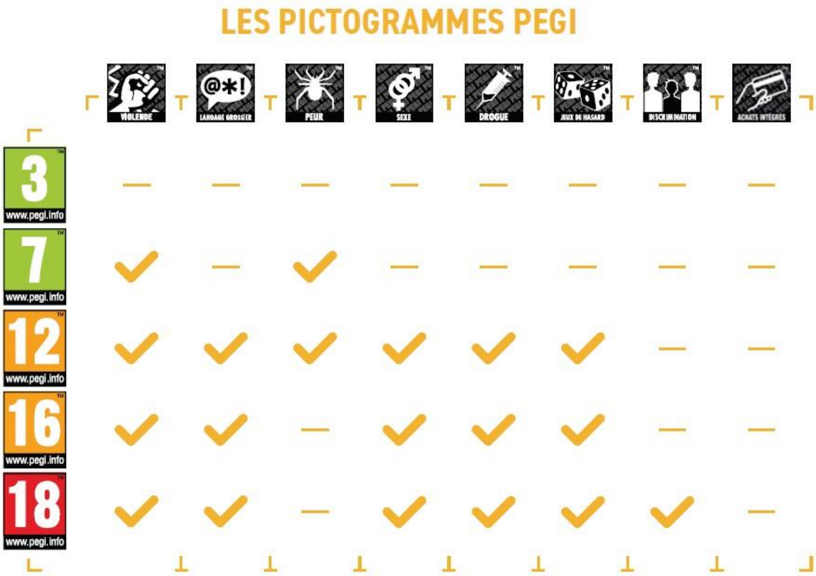
This directive requires electrical equipment to be designed so as to protect people, pets and property. No damage must be possible as a result of electrical contact or exposure to mechanical, chemical and health risks caused by noise, vibration or ergonomic factors. Bigben Interactive has its products tested for compliance with the LVD.

Bigben Interactive applies the CE mark to its products, showing compliance with European health, safety and consumer protection directives and allowing the free movement of its products in the European Union.

More specifically, for physical and digital games:

- **PEGI**

As a publisher of video games, NACON, like all major players in its industry, uses the PEGI rating system, which gives consumers a simple and effective way of checking suitability. The rating system allow young people to be denied access to and protected from content or behaviours that are unsuitable for people their age, based on effective control by their parents.



NACON sells games in all age categories, from 3+ and 7+ up to 18+.

10. TRENDS

10.1 MAIN TRENDS SINCE THE START OF THE CURRENT FINANCIAL YEAR

In NACON's view, the Covid-19 crisis is no longer affecting accessories sales and is continuing to boost digital games sales. As a result, the Company is expecting revenue of €140-150 million in 2020/21 and is aiming for recurring operating margin of around 18%.

The Group is actively deploying its NACON 2023 plan in order to accelerate its change of scale in its two main markets of Video Games and Gaming Accessories.

To achieve that, investments in new games will be stepped up to increase their quality and make them benchmarks within their genres, enabling NACON to become of the world's leading publishers of AA games. Accordingly, NACON intends to pursue its strategy of acquiring studios that will enable it to achieve a more upscale product range more quickly.

The imminent arrival of 5G, which will allow the introduction of cloud gaming and the adoption of the GaaS (Games as a Service) business model, which will increase the operational longevity of games and generate recurring revenue, represent additional growth drivers for NACON, boosting its sales in the next few years.

As regards accessories, the focus will be on developing premium products that can be adapted to all types of gamers, and the recent acquisition of the RIG™ headsets business is an illustration of this strategy.

Based on these developments, the Group is maintaining its financial targets for 2022/23, i.e. revenue of €180-200 million and recurring operating margin of over 20%.

10.2 TRENDS, UNCERTAINTIES, CONSTRAINTS, COMMITMENTS OR EVENTS THAT MAY MATERIALLY AFFECT THE NACON GROUP'S OUTLOOK

Please see section 7.1.2 concerning the implications of the Covid-19 (coronavirus) crisis.

11. EARNINGS FORECASTS AND ESTIMATES

The 2020/21 forecasts presented below are based on data, assumptions and estimates that the Group regarded as reasonable at the date of this Universal Registration Document.

Those data and assumptions may change or be adjusted as a result of uncertainties relating particularly to the economic, financial, accounting, competitive, regulatory or tax environment or as a result of other factors of which the Group was not aware at the date of this Universal Registration Document.

If certain risks described in section 3 “Risk factors” of this Universal Registration Document were to materialise, they could have an impact on the Group’s activities, financial position, results or outlook, and therefore threaten these forecasts. The attainment of forecasts also assumes that the Group’s strategy will be successful. As a result, the Group makes no representation and gives no warranty regarding the attainment of forecasts presented in this section.

The forecasts set out below, and the assumptions on which they are based, have been established in accordance with delegated regulation (EU) No. 2019/980 and ESMA recommendations relating to forecasts.

11.1 ASSUMPTIONS

The Group has made forecasts for 2020/21 in accordance with the accounting policies applied when preparing the Group’s consolidated financial statements for the year ended 31 March 2020.

Those forecasts are based mainly on the following assumptions for the year ended 31 March 2021:

- no material change in the scope of consolidation relative to the scope of consolidation at 31 March 2020,
- market developments in line with the trends set out in section 5.2 of this Universal Registration Document (including faster digitalisation of the market and the rise of eSports and cloud gaming), and the limited impact of the Covid-19 pandemic as indicated in sections 7.1.2 and 10.1,
- continuing positive performance by the Group as seen in recent years, including the ongoing appeal of games published by NACON and of the NACON® brand and the recently acquired RIG™ brand, along with their success in all geographic areas in which the Group operates,
- continuing implementation of the Group’s strategy, as described in section 5.4 of this Universal Registration Document and particularly further increases in development capex, aimed at offering better games to console clients and new platforms that are aiming to satisfy their gamer end-customers,
- no material change in exchange rates relative to those at the date of this Universal Registration Document,
- no material change in regulatory or tax conditions relative to those existing on the date of this Universal Registration Document.

11.2 GROUP FORECASTS FOR THE YEAR ENDED 31 MARCH 2021

The Company is expecting revenue of €140-150 million in 2020/21 and is aiming for recurring operating margin of around 18%.

12. ADMINISTRATIVE AND MANAGEMENT BODIES

The Company was initially incorporated as a *"société par actions simplifiée"* (simplified joint-stock corporation), and was converted into a *"société anonyme"* (public limited company) governed by a Board of Directors through a decision in the Shareholders' General Meeting of 22 January 2020.

The Company's operational arrangements as a *société anonyme* are described in the articles of association and discussed in this section 12 of the Universal Registration Document.

The Board of Directors has opted to combine the roles of the Chairman of the Board of Directors and the CEO.

12.1 DIRECTORS AND EXECUTIVE OFFICERS

12.1.1 Executive Management

12.1.1.1 Chairman/CEO

In its meeting of 22 January 2020, the Board of Directors decided not to separate the roles of Chairman of the Board of Directors and CEO. In a constantly changing and highly competitive operating environment, this allows the Group to ensure consistency between its strategy and operational functions and thus make its decision-making process more efficient and effective.

In its meeting of 22 January 2020, the Board of Directors appointed Alain Falc as Chairman/CEO, subject to a condition precedent relating to the Company's shares being listed on Euronext's regulated market in Paris. Alain Falc's term of office began on 4 March 2020.

See section 5.1.1.3.2 for Alain Falc's biography.

12.1.1.2 Chief Operating Officer

Laurent Honoret was appointed Chief Operating Officer by the Board of Directors on 22 January 2020, subject to a condition precedent relating to the Company's shares being listed on Euronext's regulated market in Paris. Laurent Honoret's term of office began on 4 March 2020.

See section 5.1.1.3.2 for Laurent Honoret's biography.

12.1.1.3 Composition of Executive Management

The current composition of the Executive Management team is as follows:

Name	Role	Date of first appointment and end of term of office	Main functions outside the Company
Alain Falc	Chairman/CEO	Date of first appointment: 22 January 2020(1) Term of office ends: Shareholders' General Meeting voting on the financial statements	. Chairman, SAS Games.fr . Chairman, Bigben Interactive[33]
Laurent Honoret	Chief Operating Officer	Date of first appointment: 22 January 2020(1) Term of office ends: none	

(1) Appointed subject to a condition precedent relating to the Company's shares being listed on Euronext's regulated market in Paris. That condition was fulfilled on 4 March 2020.

[33] Alain Falc and Laurent Honoret resigned from their roles as CEO and COO of Bigben Interactive on 4 March 2020; Alain Falc remains Chairman of Bigben Interactive's Board of Directors.

The business address of the Chairman/CEO and COO is that of the Company's registered office.

The Chairman/CEO and COO have managerial experience and expertise because of the roles they previously occupied at Bigben Interactive, as shown by their respective biographies set out in section 5.1.1.3.2.

12.1.2 NACON's Board of Directors

12.1.2.1 Members of the Board of Directors

The Company's Board of Directors has seven members, who were appointed in the Company's Shareholders' General Meeting of 22 January 2020. Of the seven Board members, two are regarded by the Company as independent directors in view of the Middlenext Governance Code. In its meeting of 28 February 2020, the Board of Directors decided to appoint Bpifrance Investissement as non-voting director *(censeur)*, it being stipulated that its role as non-voting director will automatically end on the day that Bpifrance Investissement (or a representative appointed by Bpifrance) is appointed as a full director of the Company. To fulfil the role of non-voting director, Nicolas Parpex has been appointed as permanent representative of Bpifrance Investissement.

The table below shows the composition of the Company's Board of Directors at the date of the Universal Registration Document, along with the roles held by members of the Company's Board of Directors in the last five years:

Name and business address	Role	Date of first appointment and end of term of office	Other roles in the Company	Other roles outside the Company (inside and outside the Group) in the last five years
Alain Falc Company's registered address	Chairman/CEO and director:	Date of first appointment: 22 January 2020 Term of office as director ends: Shareholders' General Meeting voting on the financial statements for the financial year ending 31 March 2026	None	**Roles within French companies:** . Chairman, Bigben Interactive* . Chairman, SAS Games.fr **Roles within foreign companies:** . Director of Bigben Interactive HK Ltd (Hong Kong) . Manager at AF Invest SPRL **Former roles in the past five financial years** . Chairman, SAS Modelabs Group . Chairman, SAS World GSM . Director, Bigben Interactive Belgium SA (Benelux)
Sébastien Bolloré Tour Bolloré 31-32, quai de Dion-Bouton 92811 Puteaux Cedex	Director (representative of Nord Sumatra, main shareholder of Bigben Interactive)	Date of first appointment: 22 January 2020 Term of office as director ends: Shareholders' General Meeting voting on the financial statements for the financial year ending 31 March 2026	None	**Roles within French companies:** - *Roles held within the Bolloré group* . Head of Development . Chairman, Omnium Bolloré . Director, Blue Solutions, Bolloré SE, Bolloré Participations SE, Financière V, Omnium Bolloré, Société Industrielle et Financière de l'Artois and Financière de l'Odet SE. . Permanent representative of Plantations des Terres Rouges on the board of Compagnie du Cambodge . Member of the Supervisory Board, Sofibol - *Other roles and duties:* . Director, Gameloft SE . Director, Bigben Interactive **Roles within foreign companies:** - *Roles held within the Bolloré group* . Chairman and Director, Blue LA Inc . Director, Bolloré Services Australia Pty Ltd

				- *Other roles and duties:* . Chairman/CEO, Magic Arts Pty Ltd **Former roles in the past five financial years:** . Permanent representative of SocFrance on the board of Financière de l'Odet
Jacqueline De Vrieze Company's registered address	Director	Date of first appointment: 22 January 2020 Term of office as director ends: Shareholders' General Meeting voting on the financial statements for the financial year ending 31 March 2026	None	**Roles within French companies:** . CEO, SAS Games.fr Director, Bigben Interactive . Director, Bigben Interactive **Roles within foreign companies:** None **Former roles in the past five financial years:** None
Florence Lagrange 11 rue Berryer 75008 Paris	Independent director	Date of first appointment: 22 January 2020 Term of office as director ends: Shareholders' General Meeting voting on the financial statements for the financial year ending 31 March 2026	None	**Roles within French companies:** . Director, Bigben Interactive . Chairman, Trusteam Lab **Roles within foreign companies:** None **Former roles in the past five financial years:** None
Sylvie Pannetier Company's registered address	Director	Date of first appointment: 22 January 2020 Term of office as director ends: Shareholders' General Meeting voting on the financial statements for the financial year ending 31 March 2026	Treasurer (employee) Member of the Audit Committee	**Roles within French companies:** Director, Bigben Interactive **Roles within foreign companies:** None **Former roles in the past five financial years:** None
Jean-Christophe Thiery Canal+ 1 place du Spectacle, 92130 Issy-les-Moulineaux	Director (representative of Nord Sumatra, main shareholder of Bigben Interactive)	Date of first appointment: 22 January 2020 Term of office as director ends: Shareholders' General Meeting voting on the financial statements for the financial year ending 31 March 2026	None	**Roles within French companies:** - *Within the Canal+ group:* . Chairman of the Supervisory Board, Groupe Canal+ SA - *Within the Bolloré group:* . Chairman/CEO and member of the Management Committee, Bolloré Telecom . Chairman, Compagnie de Treboul . Chairman, Rivaud Loisirs Communication . Chairman of the Board of Directors and director, Matin Plus . Member of the Strategy Committee, 2ème Regard - *Other roles and duties:* Director, Bigben Interactive **Roles within foreign companies:** None **Former roles in the past five**

				financial years - *Within the Canal+ group:* . Chairman of the Management Board, Groupe Canal+ SA - Chairman of the Supervisory Board, Studio Canal SAS - Chairman of the Board of Directors, Société d'Edition de Canal+ SA . Permanent representative of SECP on the Board of Directors of Médiamétrie SA - *Within the Bolloré group:* . Chairman/CEO and director, Bolloré Média Digital, Conseils Sondages et Interviews, CSA and CSTO . Chairman, Bolloré Média Régie . Chairman, Direct Panel . Permanent representative: . of Bolloré on the Board of Directors of CSTO . of CSTO on the Board of Directors of CSA . of CSTO on the Board of Directors of CSI . Permanent representative of Société Industrielle et Financière de l'Artois on the Board of Directors of Rivaud Innovation
Richard Mamez 6 Avenue de New York, 75016 Paris	Independent director	Date of first appointment: 22 January 2020 Term of office as director ends: Shareholders' General Meeting voting on the financial statements for the financial year ending 31 March 2026	None Member of the Audit Committee	**Roles within French companies:** Chairman, SAS TPI **Roles within foreign companies:** None **Former roles in the past five financial years:** Director, Bigben Interactive Chairman, SAS Groupe Berger Manager, SARL Opus Musique Chairman, Parfam SAS Chairman, Aladin SAS Chairman, Lampe Berger USA
Nicolas Parpex Permanent representative of Bpifrance Investissement 6-8 boulevard Haussmann, 75009 Paris **Nicolas Parpex** On his own behalf	Non-voting director *(censeur)*	Date of first appointment: 28 February 2020 Term of office as non-voting director ends: Shareholders' General Meeting voting on the financial statements for the financial year ending 31 March 2026	None	**Roles within French companies:** . Member of the Board of Directors, Institut pour le Financement du Cinéma et des Industries Culturelles . Member of the Board of Directors, Média Participations Paris . Non-voting member of the Strategy Committee, Brut . Member of the Supervisory Board, Buffet Group . Member of the Supervisory Committee, Playtime . Non-voting member of the Supervisory Committee, Belenos . Non-voting member of the Strategy Committee, The Dubbing Brothers Company **Roles within foreign companies:** None

				Former roles in the past five financial years: None.

** Alain Falc and Laurent Honoret have resigned from their respective roles as Chairman/CEO and COO of Bigben Interactive; Alain Falc remains Chairman of Bigben Interactive's Board of Directors.*

When each director is appointed or has his/her term of office renewed, information about his/her experience and expertise is provided in the annual report and to the Shareholders' General Meeting. Each director's appointment is the subject of a separate draft resolution, in accordance with recommendation 9 of the Middlenext Code.

In the next Shareholders' General Meeting scheduled to take place on 30 July 2020, a draft resolution will be put to a shareholders' vote regarding the appointment of Bpifrance Investissement as director, represented by Nicolas Parpex. That proposal follows the investment agreement formed by Bpifrance Investissement in relation to that investor's purchase of an equity stake in the Company's IPO. Before that meeting is held, readers are reminded that Nicolas Parpex is currently non-voting director *(censeur),* representing Bpifrance Investissement, on NACON's Board of Directors.

12.1.2.2 Balanced male/female representation on the Board of Directors

Article L. 225-18-1 of the French Commercial Code states that members from each gender must make up at least 40% of the Board of Directors of a company whose shares are admitted for trading on a regulated market. At the date of the Universal Registration Document, there were four men and three women on the Board of Directors, making up 57% and 43% of the Board respectively. As a result, the composition of the Board of Directors will be compliant with the aforementioned article.

12.1.2.3 Independent directors

On 22 January 2020, the Board of Directors met and defined the criteria under which a director will qualify as independent, in accordance with recommendation 3 of the Middlenext Code. An independent member of the Board:

- is not and has not been in the last five years either an executive corporate officer of the Company or of a company in its group;
- is not and has not been in the last two years in a significant business relationship with the Company or its group (as client, supplier, competitor, service provider, creditor, banker etc.);
- is not a major shareholder in the Company and does not hold a significant percentage of the voting rights;
- does not have a close relationship or family ties with any corporate officer or major shareholder;
- has not been a statutory auditor of the Company during the past six years.

On 22 January 2020, the Board of Directors (after the appointment of NACON's directors) assessed the independence of directors and took the view that Florence Lagrange and Richard Mamez qualify as independent directors.

12.1.2.4 Terms of office of Board members

Directors are appointed for a term of six years. Shareholders in the Shareholders' General Meeting may, in all circumstances, dismiss one or more directors and replace them, even if that dismissal was not on the agenda.

12.1.2.5 Conduct of Board members

In accordance with recommendation 1 of the Middlenext Code, each director is made aware of his/her responsibilities when appointed, and is encouraged to observe the conduct rules relating to his/her role and in particular:

- setting an example means ensuring that directors' words and actions are consistent at all times, so as to foster credibility and trust,
- when accepting their role, Board members must familiarise themselves with the related

obligations and particularly those relating to statutory rules regarding multiple corporate officer roles,
- when starting their term of office, they must sign the Board's internal rules, which determine, among other things, the minimum number of shares in the company that each Board member must own, subject to provisions in the articles of association,
- during their term of office, directors must inform the Board of any situation that gives rise to a potential conflict of interest (customer, supplier, competitor, consultant etc.) or an actual conflict of interest (other roles) involving them,
- in the event of a conflict of interest, and depending on its nature, the relevant director shall not vote or take part in discussions, and in extreme cases shall resign,
- Board members must attend meetings regularly and take part in meetings of the Board and committees of which they are members,
- Board members must ensure that they have all the information they need, and sufficiently in advance, regarding matters to be discussed during meetings,
- Board members must maintain professional secrecy with respect to third parties,
- Board members must take part in the Shareholders' General Meeting.

12.1.2.6 Directors' biographies

In accordance with recommendation 8 of the Middlenext Code, a description of the roles and careers of the current directors is provided below:

Alain Falc: Chairman of the Board of Directors

Alain Falc's biography is provided in section 5.1.1.3.2 of the Universal Registration Document.

Sébastien Bolloré: Director

Managerial expertise and experience

After studying at Gerson and Saint-Jean-de-Passy, Sébastien Bolloré obtained his *baccalauréat* and studied management at ISEG and then UCLA (California). Sébastien Bolloré spends most of his time in Australia, and advises the Bolloré group based on his knowledge of new media and technological developments.

He has been a director of Bigben Interactive SA since he was appointed in the Shareholders' General Meeting of 28 July 2010.

Jacqueline De Vrieze: Director

Self-taught

After working in the personal care industry (in a hair salon and beauty parlour) between 1976 and 1987, Jacqueline De Vrieze set up a fitness and beauty treatment company within a gym.

In 1989, she joined the retail chain that is now known as Games.fr, as head of the store network before becoming the company's CEO in 1995. She led the transformation of the store network into a retail website at the start of the 2010s.

She is a director of Bigben Interactive.

Jacqueline De Vrieze is the partner of Chairman/CEO Alain Falc.

Sylvie Pannetier: Director

Holder of a DECF diploma in accounting and financial studies.

After completing her studies, Sylvie Pannetier joined Bigben Interactive in February 1995 in the finance department and has held roles in supplier accounting, treasury and credit management in her 20 years at the company.

She now manages a team of nine people and is in charge of the Group's Treasury department as well as credit management at Bigben Interactive and Bigben Connected.

She has been a director of Bigben Interactive since she was appointed in the Shareholders' General Meeting of 31 August 2015.

Jean-Christophe Thiery: Director

Graduate of IEP, holder of a degree in public administration from ENA.

After starting his career in local government, Jean Christophe Thiery joined the Bolloré group in 2002 and became CEO of the Direct 8 TV channel in 2005.

He was appointed Chairman of Bolloré Média (media division of the Bolloré group) in November 2008, taking over from Vincent Bolloré, with the brief of continuing its consolidation and growth in the media and telecoms industry. Jean Christophe Thiery is also CEO of the Bolloré group's communications and media division and Chairman of Canal+'s Supervisory Board.

Florence Lagrange: Director

Holder of a DEA postgraduate diploma in economics.

Florence Lagrange started her career as a financial journalist, before joining asset management company Fontenay Gestion as a buy-side analyst. After 10 years as an asset manager at independent asset management company Trusteam Finance, which applies extra-financial analysis based on customer satisfaction when assessing companies, she is now head of research.

She has been a director of Bigben Interactive since she was appointed in the Shareholders' General Meeting of 21 July 2017.

Richard Mamez: Director

After starting his career in marketing in the food industry at Ferrero in Italy, Richard Mamez moved to the leisure industry. He worked in the ski equipment sector (Look, Lange) as international marketing manager, before becoming CEO of various companies in the industry (Browning, Look, Jeanneau). In 1996, he moved into the toys sector, becoming CEO of Majorette until it was acquired by Smoby in 2005, before returning as Chairman in 2008 to oversee its sale to the Simba group in 2010.

In 2011, Richard became Chairman of Groupe Berger (interior fragrances) and grew its digital sales with the creation of a network of more than 100 stores in Asia, before arranging the group's sale to the Argos Wityu fund in 2018.

He was a director of Bigben Interactive between 2010 and 2016, after being appointed in the Shareholders' General Meeting of 28 July 2010, before being appointed non-voting director in July 2016, 2017 and 2018.

12.1.2.7 Other roles held by directors

The roles held by directors within and outside the Group are set out in the table in section 12.1.2.1 of the Universal Registration Document.

No person mentioned in this section has, in the last five years:

- been the subject of an adverse judgment for fraud, charged with an offence or been the subject of a public penalty handed down by any statutory or regulatory authority;
- been prevented from being a member of an administrative, management or supervisory body or from being involved in the management or business operations of an issuer;
- been charged with an offence or been the subject a public penalty handed down by any statutory or regulatory authority.

12.1.2.8 Preparation and organisation of the work done by the Board of Directors

Powers of the Board of Directors

The Board of Directors determines the strategy and overall business direction of the Group, i.e. the parent company and its consolidated subsidiaries, and oversees their implementation. Apart from powers specifically granted to shareholders in general meetings and within the scope of the company's corporate purpose, the Board deals with all matters relating to the Company's business operations and, through its resolutions, addresses issues that concern the Company.

Internal rules

In accordance with recommendation 6 of the Middlenext Code, the Board of Directors adopted a set of internal rules on 22 January 2020, which set out:

- the powers of the Board of Directors;
- rules regarding the composition of the Board and criteria regarding the independence of its members;
- the nature of directors' duties and the conduct rules to which they are subject;
- the Board's operational arrangements and the rules for determining the remuneration of its members.

Provision of information to Board members

Board members concluded that they received sufficient information for them to fulfil their role. In accordance with recommendation 11 of the Middlenext Code, directors receive information and documents relating to matters on the agenda of board meetings several days before the meeting date. This gives them the opportunity to prepare dossiers that will be discussed in the meeting. Particularly sensitive and urgent matters may be discussed without documents being distributed beforehand or with communication taking place shortly before the meeting date.

In addition, the Chairman deals with requests from members to obtain additional information and directors are also kept regularly informed between meetings where justified by developments affecting the Company, in accordance with the aforementioned recommendation.

Convening Board meetings

The articles of association do not contain any exceptions to the general rules on convening Board meetings, and the Board meets as often as the Company's interests demand. A schedule of Board meetings (at least 6 per year) is prepared at the start of the financial year, based on the schedule for finalising revenue figures and financial statements, and extraordinary meetings may be convened at any time depending on developments affecting the Group.

Notices of meeting including the agenda are sent out before each meeting, and the documents that directors need to prepare for meetings are sent to them under separate cover.

Representation of directors

Decisions made by the Board of Directors are only valid if at least half of its members are present. In the event of a tied vote, the meeting Chairman holds a casting vote.

Guests

The Group's Corporate Secretary attends all Board meetings and acts as secretary in respect of all discussions. If the Corporate Secretary cannot attend, the Group's CFO acts in his/her place.

Board meetings, work done by the Board and director attendance rate

The way in which the Board of Directors operates (notice of meeting, meetings, quorum, provision of information to the directors) complies with statutory provisions and the Company's articles of association. The Board meets at least six times per year, in accordance with recommendation 13 of the Middlenext Code.

The frequency of Board meetings depends on the financial and legal reporting timetable (reporting of quarterly revenues and half-year results) and on developments affecting the Company.

For example, meetings generally break down into several parts as follows:

- examination of the business plan;
- update on business activity and financial data;
- update of annual forecasts;
- finalisation of the financial statements;
- finalisation of the quarterly and half-year financial statements;
- examination of current transactions as regards the development of the Group's business;
- remuneration matters;
- other current operational matters;
- legal matters;
- authorisations to be granted.

In 2019/20, the Board met 10 times. The Board is expected to meet twice per quarter in 2020/21. The Chairman remains able to convene the Board of Directors as often as the Company's interests demand.

The Company's statutory auditors were invited to attend and attended Board meetings finalising the full-year financial statements. The Group's CFO regularly takes part in these meetings, particularly to present the financial statements and obtain all authorisations and provide all explanations allowing the Board to make decisions in full knowledge of the facts.

The Board's internal rules adopted on 22 January 2020 allow the Directors to take part in Board meetings remotely: as a result, for quorum and majority calculation purposes, directors taking part in a Board meeting via videoconferencing or telecommunication media, allowing them to be identified and ensuring their effective participation in accordance with statutory and regulatory provisions, are deemed present.

The minutes of Board meetings are prepared after each meeting and submitted to all Board members for approval.

Average attendance rate of each director (for the relevant year of their appointment)

Last name	First name	Role	Attendance rate
Falc	Alain	Chairman	*100%*
Bolloré	Sébastien	Director	*100%*
Thiery	Jean-Christophe	Director	*100%*
Pannetier	Sylvie	Director + member of the Audit Committee	*100%*
de Vrieze	Jacqueline	Director	*100%*
Lagrange	Florence	Director	*100%*
Mamez	Richard	Director + member of the Audit Committee	*100%*
		TOTAL	***100%***
Parpex *	Nicolas	Non-voting director *(censeur)*	*100%*
		TOTAL	***100%***

* *Appointed 28 February 2020. Nicolas Parpex is the representative of Bpifrance Investissement.*

12.2 CONFLICTS OF INTEREST IN THE ADMINISTRATIVE AND MANAGEMENT BODIES

To the Company's knowledge, there is no potential conflict of interest between the duties of members of the Board of Directors with respect to NACON and their other interests.

There are no potential conflicts of interest between the duties of the persons presented above with respect to the issuer and their private interests and/or other duties. No arrangement or agreement has been made with the main shareholders, customers, suppliers or other persons, under which any of the persons presented above have been selected as a member of the Board of Directors or as a member of the executive management team.

13. REMUNERATION AND BENEFITS

The Company was incorporated as a *"société par actions simplifiée"* (simplified joint-stock corporation) on 18 July 2019, and was converted into a *"société anonyme"* (public limited company) through a decision in the Shareholders' General Meeting of 22 January 2020 with a view to admitting some of the ordinary shares making up the Company's capital for trading on Euronext's regulated market in Paris. The Company's shares were first listed on 4 March 2020.

Since Bigben Interactive's Gaming division was spun off into the Company on 31 October 2019, the information provided below is provided on the basis of historical remuneration received by the persons concerned with respect to their roles within the Bigben Interactive group before the spin-off, then within NACON.

Information on the remuneration of corporate officers is prepared in accordance with the AMF's Position-Recommendation DOC-2014-14 entitled "Guide to compiling registration documents for mid caps".

13.1 REMUNERATION AND BENEFITS

13.1.1 Remuneration of Executive Management

13.1.1.1 Information on remuneration

All of Alain Falc and Laurent Honoret's Bigben Interactive SA remuneration was allocated to NACON when the full-year consolidated financial statements for the year ended 31 March 2020 and the full-year combined financial statements for 2018/19, presented in section 18.1.6, were prepared.

Summary of fixed and variable remuneration, options and shares awarded to each of the Company's executive corporate officers with respect to their roles within the Bigben Interactive group (table 1)

Alain Falc, Chairman/CEO	**2019/20**	**2018/19**
Remuneration due in respect of the financial year (1)	€371 thousand	€352 thousand
Value of multi-year variable remuneration awarded during the financial year		
Value of options awarded during the year		
Value of bonus shares awarded during the year		
TOTAL	**€371 thousand**	**€352 thousand**

(1) This remuneration includes both remuneration paid by NACON and its subsidiaries to Alain Falc and that paid by Bigben Connected SAS to Alain Falc amounting to €132,792 for 2019/20 and €131,592 for 2018/19.

Laurent Honoret, COO	**2019/20**	**2018/19**
Remuneration due in respect of the financial year	€148 thousand	€148 thousand
Value of multi-year variable remuneration awarded during the financial year		
Value of options awarded during the year		
Value of bonus shares awarded during the year	€14 thousand	€16 thousand
TOTAL	**€162 thousand**	**€164 thousand**

Summary of remuneration paid to each executive corporate officer (table 2)

Alain Falc	Year 2019/20		Year 2018/2019	
Chairman/CEO	Amounts due	Amounts paid	Amounts due	Amounts paid
fixed remuneration (1)	€371 thousand	€371 thousand	€352 thousand	€352 thousand
annual variable remuneration				
multi-year variable remuneration				
exceptional remuneration				
remuneration as director (2)	€32 thousand	€32 thousand	€20 thousand	€20 thousand
benefits in kind				
TOTAL	**€403 thousand**	**€403 thousand**	**€372 thousand**	**€372 thousand**

(1) This remuneration includes both remuneration paid by NACON and its subsidiaries to Alain Falc and that paid by Bigben Connected SAS to Alain Falc amounting to €132,792 for 2019/20 and €131,592 for 2018/19.

(2) These attendance fees include €11,667 from NACON on a prorata basis relating to the 2019/20 financial year for the 7 months until the July 2020 Shareholders' General Meeting, along with €20,000 of fees for attending Board meetings of Bigben Interactive SA.

Laurent Honoret	Year 2019/20		Year 2018/2019	
COO	Amounts due	Amounts paid	Amounts due	Amounts paid
fixed remuneration	€128 thousand	€128 thousand	€128 thousand	€128 thousand
annual variable remuneration (1)	€20 thousand	€20 thousand	€20 thousand	€20 thousand
multi-year variable remuneration				
exceptional remuneration				
remuneration as director				
benefits in kind (2)	€8 thousand	€8 thousand	€8 thousand	€8 thousand
TOTAL	**€156 thousand**	**€156 thousand**	**€156 thousand**	**€156 thousand**

(1) Laurent Honoret's variable remuneration corresponds to a bonus based on performance (attainment of a predetermined level of recurring operating income).

(2) Laurent Honoret has a company car under a lease with option to purchase, on which the monthly lease payment is €700.

The Company has not made any commitment to its corporate officers concerning remuneration, allowances or benefits payable or likely to be payable as a result of, or subsequent to, taking up, leaving or changing roles.

13.1.1.2 Other elements of remuneration

Stock options awarded to or exercised by executive corporate officers (tables 4, 5, 8 and 9)

In the financial years ended 31 March 2020 and 31 March 2019, no stock options were awarded to or exercised by the Group's executive corporate officers.

Bonus shares awarded to corporate officers

Shares awarded free of charge to each corporate officer by the Company and by any other Group company (table 6)						
Laurent Honoret COO	No. of plan and date of award	Number of shares awarded during the year	Valuation of the shares according to the method used for the consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Bigben Interactive plan	No.: AGA2019 Date: 4 September 2019	1,200	€13,848	4 September 2020	4 September 2022	Recurring operating income of the Bigben Interactive group in the year ended March 2020
Bigben Interactive plan	No.: AGA2018 Date: 3 September 2018	1,500	€16,170	3 September 2019	3 September 2021	Recurring operating income of the Bigben Interactive group in the year ended March 2019
Bigben Interactive plan	No.: AGA2017 Date: 31 August 2017	2,000	€19,120	31 August 2018	3 September 2020	Recurring operating income of the Bigben Interactive group in the year ended March 2018
TOTAL		**4,700**	**€49,138**			

Shares awarded free of charge to each corporate officer by the Company and by any other Group company (table 6)						
Sylvie Pannetier Director	No. of plan and date of award	Number of shares awarded during the year	Valuation of the shares according to the method used for the consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Bigben Interactive plan	No.: AGA2019 Date: 4 September 2019	400	€4,616	4 September 2020	4 September 2022	Recurring operating income of the Bigben Interactive group in the year ended March 2020
Bigben Interactive plan	No.: AGA2018 Date: 3 September 2018	500	€5,390	3 September 2019	3 September 2021	Recurring operating income of the Bigben Interactive group in the year ended March 2019
Bigben Interactive plan	No.: AGA2017 Date: 31 August 2017	700	€6,692	31 August 2018	3 September 2020	Recurring operating income of the Bigben Interactive group in the year ended March 2018
TOTAL		**1,600**	**€16,698**			

Bonus shares no longer locked up (table 7)			
Laurent Honoret COO	No. of plan and date of award	Number of shares reaching the end of their lock-up period in 2019/20	Vesting conditions
Bigben Interactive plan	No.: AGA2016 Date: 31 August 2016	3,000	Recurring operating income of the Bigben Interactive group in the year ended March 2017 - target achieved ⇨ 100% of bonus shares vested
TOTAL		**3,000**	

Bonus shares no longer locked up (table 7)			
Sylvie Pannetier Director	No. of plan and date of award	Number of shares reaching the end of their lock-up period in 2019/20	Vesting conditions
Bigben Interactive plan	No.: AGA2016 Date: 31 August 2016	1,000	Recurring operating income of the Bigben Interactive group in the year ended March 2017 - target achieved ⇨ 100% of bonus shares vested
TOTAL		**1,000**	

PAST BONUS SHARE AWARDS (table 10)				
INFORMATION ON BONUS SHARE AWARDS				
Shareholders' General Meeting date	Plan no. AGA2016 22/07/2016	Plan no. AGA2017 21/07/2017	Plan no. AGA2018 20/07/2018	Plan no. AGA2019 19/07/2019
Date of Board meeting	31/08/2016	31/08/2017	03/09/2018	04/09/2019
Total number of bonus shares awarded of which awarded to corporate officers				
Laurent Honoret	3,000	2,000	1,500	1,200
Sylvie Pannetier	1,000	700	500	400
Vesting date (1)	31 August 2017	31 August 2018	3 September 2019	4 September 2020
End of the lock-up period	31 August 2019	31 August 2020	3 September 2021	4 September 2022
Number of shares subscribed at 31 March 2020	4,000	2,700	2,000	0
Cumulative number of shares cancelled or lapsed	0	0	0	0
Remaining shares awarded free of charge at end of year	4,000	2,700	2,000	1,600

(1) *Performance conditions*
- AGA 2016 plan: Recurring operating income of the Bigben Interactive group in the year ended March 2017 - target achieved => 100% of bonus shares vested
- AGA 2017 plan: Recurring operating income of the Bigben Interactive group in the year ended March 2018 - target achieved => 100% of bonus shares vested
- AGA 2018 plan: Recurring operating income of the Bigben Interactive group in the year ended March 2019 - target achieved => 100% of bonus shares vested
- AGA 2019 plan: Recurring operating income of the Bigben Interactive group in the year ended March 2020

Summary of remuneration and other benefits awarded to executive corporate officers

Executive corporate officers	Employment contract		Supplementary pension plan		Remuneration or benefits due or potentially due as a result of termination or change in duties		Compensation relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Alain Falc Chairman/CEO Term of office started on 22 January 2020 for six financial years		X		X		X		X
Laurent Honoret COO / Term of office started on 22 January 2020 for an unspecified period	X			X		X		X

Loans and guarantees granted to members of the Company's governing, management and supervisory bodies

None.

13.1.2 Remuneration of Board members

13.1.2.1 Remuneration policy for Board members

Directors receive remuneration for their work as directors. That remuneration is awarded by the Shareholders' General Meeting and apportioned by the Board on the basis of a fixed amount for each attendance at meetings of the Board and its committees and depending on each director's responsibilities, in accordance with recommendations 10 and 13 of the Middlenext Code.

Directors' remuneration

The Board of Directors complies with the recommendations of the Middlenext Code by defining a method for apportioning that remuneration into units that take into account the roles filled by each director (director, committee member, Chairman) while applying a reduction in proportion to meetings not attended by each director (attendance principle).

The €100,000 budget for directors' remuneration, due to be approved subject to the condition precedent that the Company's shares must be listed on the Euronext Paris regulated market by 30 June 2020 (the "**IPO**"), will be apportioned into units taking into account the roles filled by each Director, i.e.:

1 >. Two units for each director,
2 >. An additional unit for a committee member,
3 >. Two additional units for the chairman,

it being stipulated that the amount corresponding to one unit is obtained by dividing the total remuneration budget by the total number of units.
The total remuneration will then be apportioned between directors taking into account their attendance. As a result, a reduction proportional to the meetings not attended by the director concerned will be

applied to the relevant amount of remuneration (see 1>. above) allotted to that director. That reduction will also apply to supplementary remuneration relating to committee members (see 2>. above) proportional to their non-attendance at committee meetings.

With respect to 2019/20, the Company will pay Board members a gross amount of €100,000 as remuneration, reduced on a prorata basis according to the portion of the year for which the Company existed, including €30,000 for audit committee members, subject to the condition precedent that the Company's shares must be listed on the Euronext Paris regulated market by 30 June 2020.

13.1.2.2 Remuneration of Board members in the last two financial years

Table of attendance fees/activity-based remuneration and other remuneration received by non-executive corporate officers (table 3)		
Non-executive corporate officers	Amounts in 2019/20	Amounts in 2018/19
Sébastien Bolloré ***Director***		
Attendance fees/Activity-based remuneration (1)	€15,833	€10,000
Other remuneration	€0	€0
Jacqueline de Vrieze ***Director***		
Attendance fees/Activity-based remuneration (1)	€15,833	€8,889
Other remuneration (2)	€60,000	€60,847
Florence Lagrange ***Independent director***		
Attendance fees/Activity-based remuneration (1)	€11,288	€10,000
Other remuneration	€0	€0
Richard Mamez ***Independent director***		
Attendance fees/Activity-based remuneration (1)	€14,205	€10,000
Other remuneration	€0	€0
Sylvie Pannetier ***Director***		
Attendance fees/Activity-based remuneration (1)	€23,750	€15,000
Other remuneration (2) (3)	€72,564	€65,957
Jean-Christophe Thiery ***Director***		
Attendance fees/Activity-based remuneration (1)	€15,833	€10,000
Other remuneration	€0	€0
Bpifrance Investissement ***Non-voting director (censeur)***		
Attendance fees/Activity-based remuneration (4)	€2,917	€0
Other remuneration	€0	€0

(1) These attendance fees include fees from NACON on a prorata basis relating to the 2019/20 financial year for the 7 months until the July 2020 Shareholders' General Meeting along with annual fees for attending Bigben Interactive SA Board meetings taking place between the 2019 and 2020 Shareholders' General Meetings.

(2) The other remuneration paid to the aforementioned directors relates to their salaries and retirement benefits with respect to their employment within the group.

(3) This remuneration includes both remuneration paid by NACON and its subsidiaries to Sylvie Pannetier and that paid by Bigben Connected SAS to Sylvie Pannetier, amounting to €17,582 for 2019/20 and €16,066 for 2018/19.

(4) Bpifrance Investissement is represented by Nicolas Parpex. These attendance fees include fees from NACON on a prorata basis relating to the 2019/20 financial year for the 7 months until the July 2020 Shareholders' General Meeting.

This table shows remuneration paid during the 2019/20 and 2018/19 financial years and the remuneration of directors attending Board meetings in financial year N and paid in financial year N+1.

Transactions in securities by corporate officers and similar persons (article 621-18-2 of the French Monetary and Financial Code)

None.

Transactions in securities by corporate officers and similar persons (article 621-18-2 of the French Monetary and Financial Code)

None.

13.1.3 Remuneration policy for executive corporate officers

13.1.3.1 Remuneration of the Company's executive corporate officers

Remuneration of the Chairman/CEO

On 22 January 2020, the Board of Directors decided to set Alain Falc's remuneration and benefits with respect to his role as Chairman/CEO of the Company as follows:

Fixed remuneration of €180,000 gross per year, paid on a monthly basis, i.e. €15,000 gross per month.

From the date of the Company's IPO on the Euronext Paris regulated market on 4 March 2020, Alain Falc's remuneration with respect to his role as Chairman/CEO was increased from €180,000 gross per year to €240,000 gross per year, paid on a monthly basis, i.e. €20,000 gross per month.

Alain Falc may also be reimbursed for expenses reasonably incurred in his duties as Chairman/CEO, on providing the relevant supporting documentation.

Alain Falc does not receive any annual variable remuneration, and so his remuneration as Chairman/CEO of the Company cannot exceed the amount indicated above.

Alain Falc still receives remuneration from the Group as an employee of Bigben Connected, subsidiary of Bigben Interactive, amounting to €120,000 gross per year.

It should be noted that Alain Falc's employment contract at parent company Bigben Interactive has been terminated, effective from the date the Company's shares were first listed.

Other remuneration and benefits

Remuneration as director

The total annual amount of remuneration determined by the Shareholders' General Meeting is apportioned between Board members in accordance with the rules defined by the Board and set out above.

Accordingly, the Chairman/CEO receives, like the other members of the Board of Directors, two units with respect to his role as Director and two additional units with respect to his role as Chairman of the Company's Board of Directors.

The payment of this remuneration is subject to attendance at meetings of the Board of Directors.

A reduction is applied to the total amount of attendance fees in proportion to the number of Board meetings not attended by the director in question.

Benefits in kind

Unlike other members of the Group's Executive Committee, the Chairman/CEO does not have a company car.

Severance pay

There are no provisions under which the Chairman/CEO will receive specific compensation in the event of his leaving the Company.

Supplementary pension plan

The Chairman/CEO does not benefit from any supplementary pension plan.

Remuneration of the Chief Operating Officer

On 22 January 2020, the Board of Directors decided to set Laurent Honoret's remuneration and benefits with respect to his role as COO of the Company as follows:

Fixed remuneration of €120,000 gross per year, paid on a monthly basis, i.e. €10,000 gross per month.

Laurent Honoret may also be reimbursed for expenses reasonably incurred in his duties as COO, on providing the relevant supporting documentation.

Laurent Honoret will receive variable remuneration of up to 25% of his gross annual fixed remuneration, i.e. up to €30,000, depending on the attainment of specific performance targets.

An employment contract has been formed, after the accounts closing date, between the Company and Laurent Honoret for his role as Head of Strategy and Business Development. That employment contract is in addition to his role as a corporate officer as authorised in accordance with recommendation 15 of the Middlenext Code. As a result, in addition to his role as COO, in which he assists the Chairman/CEO with the Company's day-to-day management, Laurent Honoret has also been given an overarching role, through this employment contract, of developing a comprehensive commercial strategy for the whole Group (the Company and its subsidiaries). As Head of Strategy and Business Development, he helps the Group with discussing and developing its strategy, particularly by detecting and guiding the Group towards business growth opportunities, including outside France. By maintaining an employment contract with Mr Honoret, the Company is also fulfilling its intention to maintain his pension rights taking into account his length of service in the Group and the work he does for the Group.

The employment contract represents a regulated agreement that was authorised by the Board of Directors on 27 April 2020 and took effect on 2 May 2020 (see section 17.1).

In any event and from that date, Laurent Honoret's overall remuneration remains the same, i.e. €120,000 gross per year as determined by the Board of Directors in its meeting of 22 January 2020, but now breaks down as follows:

- As corporate officer:
  - fixed remuneration of €36,000 gross per year payable monthly (the Board meeting of 27 April 2020, which authorised the employment contract, also voted to decrease Mr Honoret's remuneration with respect to his role as corporate officer);
  - variable remuneration of up to 25% of his gross annual fixed remuneration, i.e. up to €30,000, depending on the attainment of specific performance targets;

- Under his employment contract: €84,000 gross per year payable monthly.

With the exception of the remuneration mentioned above, no exceptional remuneration is planned for the corporate officers.

Other remuneration and benefits

Benefits in kind

Leased company car (€700 per month).

Severance pay

There are no provisions under which the COO will receive specific compensation in the event of his leaving the Company.

Supplementary pension plan

The COO does not benefit from any supplementary pension plan.

After the admission of the Company's shares for trading on Euronext's regulated market in Paris, shareholders in the next Shareholders' General Meeting will have the task of deciding on the principles and criteria for determining, apportioning and awarding remuneration and benefits in kind for the two executive corporate officers in relation to 2020/21.

13.1.3.2 Remuneration of the Group's executive corporate officers

The policy regarding remuneration and benefits in kind awarded to the executive corporate officers of the Company and the Group complies with recommendation 13 of the Middlenext Code. The principles for determining remuneration meet the criteria regarding completeness, balance, benchmarking, consistency, clarity, measurement and transparency.

No executive corporate officer of the Group benefits from deferred remuneration, specific compensation or arrangements that depart from the rules of the bonus share or stock option plans in the event of their departure, or retirement benefit plan, as mentioned in recommendations 16, 17 and 18 of the Middlenext Code.

Awards of options, bonus shares and other securities

Stock options

The Company does not intend, at this stage, to adopt a policy for awarding stock options, as referred to in recommendation 18 of the Middlenext Code, for its corporate officers.

Bonus shares

In relation to NACON's IPO, the Company's shareholders in the shareholders' meeting of 22 January 2020 authorised the Board of Directors to award, on one or more occasions, existing shares or shares to be issued in the Company, free of charge to employees and corporate officers of the Company and companies related to it within the meaning of Article L. 225-197-2 of the French Commercial Code.

The Board of Directors will meet during the year to determine the precise details of the bonus share award plans. As regards corporate officers, in accordance with recommendation 18 of the Middlenext Code, these bonus share awards will be dependent on presence conditions and performance conditions related to the Group's results, particularly the attainment of a target recurring operating margin.

13.2 AMOUNTS SET ASIDE BY THE COMPANY FOR THE PAYMENT OF PENSIONS, RETIREMENT BENEFITS AND OTHER BENEFITS TO CORPORATE OFFICERS

There is no specific pension plan for executives, and the Company has not set aside any sums in that respect.

The executives of Group companies are covered by a corporate officers' liability insurance policy taken out by the Company. The corporate officers do not benefit from any undertaking corresponding to components of remuneration, compensation or benefits that are or may be due as a result of or subsequent to the start, termination or any change of their roles.
The Company has not provisioned any sums for the payment of pensions, retirement benefits or other benefits to members of the Board of Directors.

14. OPERATING PROCEDURES OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

14.1 MANAGEMENT OF THE COMPANY

The composition of and information relating to the Company's executive management and Board of Directors are set out in section 12 "Administrative and management bodies" of the Universal Registration Document.

14.2 INFORMATION ON AGREEMENTS BINDING THE COMPANY'S EXECUTIVES AND/OR CORPORATE OFFICERS AND THE COMPANY OR ANY OF ITS SUBSIDIARIES

To the Company's knowledge, at the date of this Universal Registration Document, there are no service contracts that connect members of the Board of Directors or management team to the Company or to any of its subsidiaries and/or that provide for the granting of benefits to members of the Board of Directors, the Chairman/CEO or any COO.

Similarly, to the Company's knowledge, at the date of this Universal Registration Document, there are no service contracts that connect members of the Board of Directors or management team to the Company or to the Bigben Interactive group.

14.3 BOARD OF DIRECTORS, SPECIALIST COMMITTEES AND CORPORATE GOVERNANCE

14.3.1 NACON's Board of Directors

The composition of and information relating to the Board of Directors are set out in section 12 "Administrative and management bodies" of the Universal Registration Document.

14.3.2 Board committees

14.3.2.1 Audit Committee

To fulfil its remit, the Board of Directors is assisted by an Audit Committee.

Composition of the Audit Committee

In accordance with (i) Article L. 823-19 of the French Commercial Code, which states that *"the membership of this committee shall be decided, as the case may be, by the body in charge of governance and supervision. The committee may include only members of the body in charge of the administration or supervision in the service of the company, excluding those carrying out managerial functions. At least one member of the committee must have specific skills in the financial or accounting sector and be independent with respect to the criteria specified and made public by the body in charge of the administration or supervision"* and (ii) recommendation 6 of the Middlenext Code, the Audit Committee will consist of two (2) members, of whom one (1) will be appointed from among the independent members of NACON's Board of Directors in its meeting of 22 January 2020. The members of the Audit Committee must have specific financial and/or accounting expertise.

Its members, Richard Mamez (independent director) and Sylvie Pannetier have been chosen by the Board. Sylvie Pannetier, who is employed as a treasurer by the Company, is not regarded as an independent member of the Audit Committee.

The Board of Directors, in its meeting of 22 January 2020, taking into account their professional experience, took the view that they have the skills required under Article L. 823-19 of the French Commercial Code to enable them, as members of the Audit Committee, to assess the work done by the Finance Department and to provide their expert opinion.

The term of office of Audit Committee members coincides with their term of office as Board members. Their term of office as Audit Committee members may be renewed at the same time as their term of office as Board members.

The Audit Committee met in May 2020 in relation to the annual accounts closing at 31 March 2020. The statutory auditors took part in Audit Committee meetings in which half-year and full-year results were analysed.

Remit and duties of the Audit Committee

The remit of the Audit Committee is to monitor issues relating to the preparation and control of accounting and financial information in order to ensure that the risk management and internal control system is effective, and as the case may be to make recommendations to ensure its integrity. The remit of the Audit Committee was defined in the Board's Internal Rules on 22 January 2020.

Without prejudice to the Board's competencies, the Audit Committee has the following duties:

- it monitors the process of preparing financial information and, as the case may be, makes recommendations to ensure its integrity,
- it monitors the effectiveness of internal control and risk management systems, and internal audit systems as the case may be, as regards procedures relating to the preparation and treatment of accounting and financial information, without affecting its independence.
- is makes a recommendation regarding the statutory auditors put forward for appointment by the Shareholders' General Meeting or body with a similar function. That recommendation, made to the administrative or supervisory body, is made in accordance with regulations. The Audit Committee also makes a recommendation to that body when any renewal of the statutory auditor or Auditors' appointment is being considered in accordance with regulations.
- It monitors the statutory auditors' fulfilment of their duties. As regards public interest entities, it takes account of the findings and conclusions of the French auditors' body *(Haut conseil du commissariat)* following checks carried out in line with regulations.
- It ensures that the statutory auditors meet the independence criteria defined by regulations.
- It approves the provision of services other than the auditing of financial statements in accordance with applicable regulations.
- It reports regularly to the collegial body tasked with overseeing its remit. It also reports on the results of the audit of the financial statements, the way in which that audit contributed to the integrity of financial information and the role it played in that process. It informs the Board immediately of any difficulty encountered.

The Audit Committee shall ensure the independence of the statutory auditors and shall check that the scope of services other than the certification of financial statements does not present any risk to their independence taking into account their purpose and conditions under which they are performed.

In accordance with article L. 823-20(5) of the French Commercial Code, the Company may ask the Company's Board of Directors for services other than the certification of financial statements mentioned in article L. 822-11-2 of the French Commercial Code, referring to article L. 823-19(6) of the same Code, to be carried out by its Audit Committee. In that case, the Audit Committee shall report regularly on the decisions thus adopted to the administration body of the controlled company.

Presence of other persons who are not members of the Audit Committee

The Chairman/CEO shall not take part in Audit Committee meetings, while the Group's Corporate Secretary and/or CFO shall represent the Company and take part in them in that capacity. After providing all relevant information and details, they shall leave the meeting so that the Audit Committee can hold a discussion.

Should the Board meet as an Audit Committee, the Chairman/CEO would be absent from part of the meeting.

14.4 STATEMENT ON CORPORATE GOVERNANCE

14.4.1 Corporate governance code

To comply with article L. 225-37-4 of the French Commercial Code, since NACON's shares were admitted to trading on Euronext Paris, the Company has referred to the corporate governance code for small and mid-cap stocks published by Middlenext in September 2016 and validated as a reference code by the AMF (accessible on the www.middlenext.com website under "News"), since the principles it contains are compatible with the Company's organisation, size, resources and ownership structure.

The Middlenext Code contains areas for attention setting out matters that the Board of Directors must address in order to foster good governance as well as recommendations.

The table below sets out the NACON's position with respect to all recommendations made by the Middlenext Code as of the Registration Document's filing date:

Middlenext Code recommendations	Applied	Not applied
"Supervisory" body		
R1: Conduct of Board members	X	
R2: Conflicts of interest	X	
R3: Composition of the Board – Presence of independent members	X	
R4: Reporting to Board members	X	
R5: Organisation of Board and Committee meetings	X	
R6: Board committees	X	
R7: Internal rules for the Board	X	
R8: Selection of each director	X	
R9: Terms of office of Board members		X (1)
R10: Remuneration of directors	X	
R11: Assessment of the Board's work	X	
R12: Relations with "shareholders"	X	
The "executive" body		
R13: Definition and transparency of remuneration paid to executives and corporate officers	X	
R14: Succession planning for executives		X (2)
R15: Combination of an employment contract and role as corporate officer	X	
R16: Severance pay	X	
R17: Supplementary pension plans	X	
R18: Stock options and bonus share awards	X	
R19: Review of areas for attention	X	

(1) R9: the Board of Directors takes the view that the duration of terms of office provided for in the articles of association is appropriate to NACON's specific situation, subject to statutory limits. Terms of office, according to the Company's articles of association, last for six (6) years; given the appointment dates (newly created company), the renewal of those terms is not staggered.

(2) R14: see section 14.4.2.

14.4.2 Succession of the founding executive

In accordance with recommendation 14 of the Middlenext Code, which advises the Board of Directors to consider the succession of existing executives on a regular basis, NACON's Board of Directors, in its 22 January 2020 meeting and after examining the situation, took the view that the succession of the founding executive should not be on the agenda because of his desire and ability to continue developing the Company, although the Company is continuing to pay attention to the matter of succession as regards its executive team.

14.5 INFORMATION ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

At the date of the Universal Registration Document, NACON has internal control procedures relating to financial and accounting information, summarised below.

14.5.1 Components of the internal control system

14.5.1.1 Control environment

Given the company's size, the management team and the main executives play a dominant role in the organisation of internal control. The key participants in the internal control system are as follows:

- Chairman/CEO:

He defines and guides NACON's strategy. He is responsible for establishing the procedures and resources used to ensure the operation and monitoring of internal control. He is responsible for internal control more specifically in his role as CEO, alongside the Board of Directors and the assistance of the statutory auditors.

- Board of Directors

The Board determines the direction of NACON's business and ensures that it is followed. In particular, it examines accounting and financial documentation that is subject to financial reporting and assesses risks connected with the Company's internal and external control.

Each director may, in addition, gain additional information at his/her own discretion, and the Chairman/CEO may be called upon by the Board of Directors at any time to provide explanations and material information.

- Financial and accounting teams

They provide both expertise and control, being in charge of monitoring the budget, preparing the financial statements, hitting targets and implementing the internal control strategy established by the Chairman/CEO, and implementing recommendations made by both the Group's Finance Department and by the statutory auditors.

14.5.1.2 Risk assessment

In its business activities, the Group is exposed to risks that could, if realised, affect its performance and achievement of its strategic and financial targets.

To implement the necessary resources to manage its risks, the Group has assessed risks at the upstream level with management teams and at the downstream level with operational and functional teams.

The main risk factors and prevention and action resources are set out in section 3 "Risk factors" of this Universal Registration Document.

The main areas considered are:

- risks related to the business,

- market risks and financial risks,
- legal, regulatory and tax risks,
- extra-financial risks (workforce-related and environmental),
- the risk of fraud.

At management's request, any risks over which control is insufficient or could be improved are assessed by the participants in the control system. In that case, internal control arrangements are designed and reviewed to ensure improved effectiveness in conjunction with operational teams.
The controls adopted represent an operational framework within the Company and are constantly changing, with the aim of eventually constituting genuine risk-management tools that can be used at all levels of the organisation.

14.5.1.2 Control activities

Main internal control procedures

As well as the risk management system, NACON has numerous control processes at all levels of the company.

The organisation of support functions means that Executive Management's main strategies and targets are disseminated consistently.

- Group Management Control department:
  - *Backward-looking work (reporting, etc.):*
    This ensures that the company's performance is monitored through operational monitoring focused on monthly "Flash" reports for all Group subsidiaries. It also prepares deliverables for Executive Committee meetings (Euromeeting group) attended by the Executive Management of the Group and subsidiaries and the Group's operating and finance departments, which assess the various reporting indicators and differences between actual financial statements and initial forecasts, and which refine quarterly, half-yearly, annual and multi-year forecasts on the basis of actual results and the market outlook as reported by local and operating teams. The Group's management controllers monitor the whole financial reporting cycle and constantly challenge subsidiaries regarding their performance, results and business activity.

  - *Forward-looking work:*
    As part of its day-to-day management work, NACON has supplemented its head office and Group budget and reporting procedures by adopting "memo deal"-type management sheets to monitor exclusive distribution, publishing or licensing agreements that include financial and/or volume commitments.
    Each publishing project (particularly for products that combine gaming accessories and software) undergo an upstream analytical cost analysis, in addition to the downstream analysis of commercial potential (estimate of possible customer returns based on actual store checkout figures etc.).

- Group Consolidation department: prepares the Group's consolidated financial statements and provides information about the applicable accounting policies within the Group as required. It ensures compliance with standards and regulations in force in order to give a true and fair view of the Group's business activity and position.

- Group Treasury department: co-ordinates the management of French and foreign subsidiaries' cash positions, including by overseeing cash forecasts. It ensures that policies for managing currency risk and liquidity risk are appropriate, and also manages off-balance sheet commitments relating to commercial activities (letters of credit, collateral etc.). It centralises and checks the application of authorisation thresholds granted to a limited number of staff members and helps to set up tools that ensure effective control (dual signature procedure, secure payment tools, regularly updated authorisation and signature system, checks on IT access etc.). It should be noted that NACON has for several years used EBICS TS cash management software, which allows secure electronic payments to be made without using faxes.

- Group Finance Department
    - This department implements the financial aspects of Executive Management decisions, in accordance with regulations, through various financial transactions (issues of securities giving access to the capital, potential acquisitions, management incentives etc.).
    - As regards tax, supported by external advisors, it assists and advises Group companies, both French and foreign, when analysing the tax aspects of their projects. Working with the various in-house departments, it secures the Group's tax position by overseeing the prevention, identification and management of tax risks.

- Corporate Secretary and Group Legal Department: supported by their external lawyers and advisors specialising in company law, contract law, litigation and intellectual property, they assist and advise Group entities regarding legal matters (acquisitions, contracts, leases, stockmarket regulation, corporate governance etc.) and co-ordinate joint studies or studies of interest for the Group.

- Information Systems Departments (ISDs): these departments help select IT resources, ensure they are consistent and oversee changes to them over time, in both technical and functional terms. The ISDs regularly monitor the progress of IT projects and ensure they are appropriate as regards requirements, existing resources and budgets. IT security teams have the task of ensuring and organising the protection of their entities' activities, including but not limited to the security of applications, information systems, premises and human and material resources.

Information systems

The Company is always seeking to improve its information system and ensure the integrity of its accounting and financial data. Accordingly, it invests in the installation and maintenance of IT tools and procedures that meet requirements and constraints at both the local and Group levels.

Particular attention is paid to the security of data and processing. IT teams make constant efforts to improve controls that ensure the following:

- availability of services and systems,
- availability, confidentiality, integrity and traceability of data,
- protection of connected services against unauthorised access,
- surveillance of the network against internal and external threats;
- security and restoration of data.

14.5.1.3 Information and communication

The Group is aware that information is necessary at all levels of the organisation to ensure effective internal control and achieve the organisation's objectives. All relevant, reliable and appropriate information – internal or external, financial, operational or relating to compliance with statutory and regulatory obligations – is identified, collected and disseminated in an appropriate form and within an appropriate timeframe.

Procedures for validating accounting and financial information

Accounting and financial information

NACON's accounting and financial information is prepared by the Group Finance Department and Group Consolidation Department under the control of the Chairman/CEO, with the Board of Directors being in charge of final validation.

- Accounting standards

The Group's accounting standards comply with IFRSs issued by IASB and as adopted by the European Union.

- Statutory financial statements

The financial statements of each subsidiary are prepared, under the responsibility of their manager, by local accounts departments that ensure compliance with tax and regulatory requirements in their respective countries.

- Consolidation

The reporting of quarterly accounting information takes place according to a timetable defined by the Group Consolidation Department and validated by the Group Finance Department, and according to the Group's IFRS accounting policies in a central consolidation software package under the responsibility of the consolidation department. The software allows reliable and rapid reporting of data and aims to safeguard the consolidated financial statements.

The Company has the resources to ensure that the process for producing consolidated financial statements is streamlined and reliable. Accordingly, the consolidation department uses:

- input templates, updated periodically, allowing subsidiaries to understand the tools and use them as effectively as possible, and to ensure the consistency of published accounting and financial data,
- and a transition matrix between the statutory financial statements of its subsidiaries and the consolidated financial statements.
- It also monitors developments constantly in order to track and anticipate changes in the regulatory environment applicable to Group companies.

- Statutory auditors

NACON's statutory auditors carry out a limited review of the financial statements.

Outside of specific audit periods, prior analysis of specific accounting issues is carried out ahead of accounts closing periods, thereby reducing the time required to prepare the consolidated financial statements, while process reviews allow the statutory auditors to ensure that the processes in place are reliable and that their audit techniques are backed up by identified strong controls.

At the international level, subsidiaries' financial statements are reviewed by local statutory auditors that carry out all audit work required in the respective countries subject to the directives of the Group's statutory auditors. This organisation helps harmonise audit procedures.

As the body responsible for preparing financial statements and implementing accounting and financial internal control systems, Executive Management holds discussions with the statutory auditors.

The statutory auditors take part in all Audit Committee meetings. In those meetings, they discuss their work on procedures and their conclusions on accounts closing documents, and disclose material matters arising during their audit work.

Process for validating and communicating financial information externally

The Group Finance Department disseminates financial information that is necessary to understand fully the Group's strategy among shareholders, financial analysts, investors etc.

All financial and strategy press releases are reviewed and validated by Executive Management.

Financial information is disseminated in strict compliance with market rules and the principle that shareholders must be treated equally.

It should be noted that the Group maintains a list of insiders who are reminded of their confidentiality duties and compliance with "black-out periods" regarding trading in NACON shares.

Other external communication

Executive Management is contactable by any external entities such as suppliers, customers, shareholders and financial analysts, in order to provide them with explanations or answering their questions relating to the way in which the Group's internal control system operates.

Marketing and financial press releases are also sent to any person (in the financial community) who has expressed an interest in following the Group.

15. EMPLOYEES

The Company believes that its staff is a major asset and that, in a particularly competitive market in which expertise developed in France is unanimously acknowledged, its ability to retain employees is a key factor for its future success.

15.1 NUMBER OF EMPLOYEES AND BREAKDOWN BY COMPANY

Breakdown of employees by legal entity:

By legal entity	31/03/2020	31/03/2019	31/03/2018
NACON SA	104	83	89
Games.fr	7	7	8
Bigben Benelux	17	14	12
NACON HK	11	8	9
Bigben Interactive GmbH	17	18	21
NACON Gaming España SL	7	9	4
Bigben Interactive Italy	13	12	10
Cyanide	102	85	-
Cyanide Canada	40	35	-
Kylotonn	98	73	-
Eko Software	30	34	-
Spiders	37	-	-
RaceWard	27	-	-
NACON Gaming Inc.	2	-	-
Total	**512**	**378**	**153**

Source: Declaration of Extra-Financial Performance/CSR report of 31/03/2019 and 31/03/2020

In 2018/19, staff numbers increased sharply, boosted by employees of the three newly acquired studios Cyanide SA, Kylotonn SAS and Eko Software SAS, but also by efforts to strengthen head-office teams in the games publishing business. As a result, headcount was 378 at 31 March 2019.

In 2019/20, studio staff numbers increased further due to the addition of employees at two new studios, i.e. Spiders SAS (now wholly owned by NACON) and RaceWard – Lunar Great Wall Studios S.r.l., which entered the Group's scope of consolidation, along with the creation of NACON Gaming Inc. to market RIG™ headsets and NACON® products in the United States. As a result, headcount was 512 at 31 March 2020, plus 24 interns and temporary staff members.

15.2 EQUITY INTERESTS AND STOCK OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Members of NACON's Board of Directors and Executive Management do not have any equity interests or stock options in NACON.

15.3 OWNERSHIP OF THE COMPANY'S CAPITAL BY EMPLOYEES

15.3.1 Employee share ownership

At the date of this Universal Registration Document, the Group's employees do not hold any NACON shares, options or rights to acquire NACON shares.

The Company intends to adopt an incentive policy for the Company's employees and corporate officers to give them an interest in the Company's earnings and stockmarket performance. Accordingly, as part of the admission to trading of its shares on the Euronext Paris regulated market, a proposal was put to the Company's shareholders in the Shareholders' General Meeting of 22 January 2020 to discuss a draft resolution to authorise the Board of Directors to award shares free of charge to the employees and corporate officers of the Company and companies related to it in accordance with Articles L. 225-197-1 and following of the French Commercial Code, subject to a limit of 2% of the share capital on the date the award decision is made. The Board of Directors must now determine the terms and conditions of those bonus shares and the criteria for awarding them to the various beneficiaries.

Since the equity interests of employees as defined in Article 225-102 of the French Commercial Code remain less than 3% of the Company's share capital, the Shareholders' General Meeting does not currently have to appoint one or more directors put forward by employee-shareholders.

There are no plans to include within the Company's articles of association the possibility of one or more directors being elected by the staff of the Company and/or its subsidiaries.

16. MAIN SHAREHOLDERS

16.1 OWNERSHIP OF SHARES AND VOTING RIGHTS

At the date of this Universal Registration Document, the Company's share capital totalled €84,908,919, divided into 84,908,919 shares with par value of €1 each, of which Bigben Interactive owned 76.67%. After the Company's IPO, Bpifrance held 2.14% of the capital, with the remaining shares representing the free float.

The law provides that grants of authority must be suspended during a public offer period if their use could cause the offer to fail.

Ownership of shares and voting rights at 31 March 2020

Shareholder	Category	% of share capital	% of voting rights (1)
Bigben Interactive (2)	-	76.67%	76.67%
Bpifrance Investissement (3)	Institutional investor	2.14%	2.14%
CDC Croissance (3)	Institutional investor	0.86%	0.86%
Free float	-	20.31%	20.33%
Liquidity agreement	-	0.02%	0.00%
Total		100.00%	100.00%

(1) gross voting rights
(2) including 1,818,181 shares lent to Louis Capital Markets UK LLP under Article 225-135-1 of the French Commercial Code between 28 February 2020 and 2 April 2020.
(3) Bpifrance Investissement is a fund managed by Bpifrance Participations. Bpifrance Participations is owned by Bpifrance SA, which is itself 50%-owned by Caisse des Dépôts et Consignations (CDC).

16.2 VOTING RIGHTS OF THE MAIN SHAREHOLDERS

At the date of this Universal Registration Document, Bigben Interactive held 76.67% of the Company's capital and voting rights.

At the date of this Universal Registration Document, no shares carried double voting rights.

However, see section 19.2.2.1 regarding provisions applicable to double voting rights.

16.3 CONTROL OF THE COMPANY

NACON is 76.67%-owned by Bigben Interactive.

At 31 March 2020, the Bolloré group owned 20.1% of Bigben Interactive SA's capital and 17.7% of its gross voting rights, in particular via Nord Sumatra.

At 31 March 2020, the Company's Chairman/CEO Alain Falc held 13.2% of Bigben Interactive SA's share capital and 22.9% of its gross voting rights (directly and indirectly).

To the Company's knowledge, there are no other shareholders holding, alone or in concert, more than 5% of Bigben Interactive's share capital and voting rights. As a result, at the date of this Universal Registration Document, no shareholder had control over Bigben Interactive within the meaning of article L. 233-3 of the French Commercial Code and therefore indirectly over the Company.

As a result, the Company believes that there is no risk of control being indirectly exercised in an improper manner by any of Bigben Interactive's shareholders, it being stipulated that the current composition of the Board of Directors, which includes two independent directors, two directors representing the shareholder currently holding the largest number of Bigben Interactive shares (Nord Sumatra, Bolloré group) and two senior executives of the Bigben Interactive group, along with Alain Falc, appears balanced for the purpose of avoiding any situation in which control is exercised improperly.

Finally, Alain Falc and Laurent Honoret, respectively Chairman/CEO and COO of Bigben Interactive, decided to resign from their roles as CEO and COO of Bigben Interactive, subject to a condition precedent involving the Company's shares being listed on the Euronext Paris regulated market, which took place on 4 March 2020.

Currently, therefore, the operational management teams of Bigben Interactive and NACON do not share any members, which also helps reduce the risk of Bigben Interactive improperly exercising control over NACON.

16.4 AGREEMENTS THAT MAY LEAD TO A CHANGE OF CONTROL

At the date of this Universal Registration Document, there is no agreement whose implementation could lead to a change in the Company's control.

At the Bigben Interactive level, there is no agreement whose implementation could, at a later date, lead to a change in control over Bigben Interactive and therefore directly over the Company, it being stipulated that Vincent and Sébastien Bolloré own their shares in concert with Nord Sumatra (Bolloré group) and that Alain Falc owns his stake in Bigben Interactive in concert with AF Invest.

However, the parent company Bigben Interactive's ownership structure has historically been very stable and Alain Falc is also a corporate officer with an operational role in the Group, which suggests confidence in the management and strategy adopted by the Group, provided that they prove prudent, justifiable, appropriate to market opportunities and conditions and profitable.

16.5 PLEDGES

None of the shares making up the Company's capital is subject to any pledge.

17. TRANSACTIONS WITH RELATED PARTIES

17.1 INTRAGROUP TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

The Company has formed intragroup agreements and agreements with related parties, including:

- agreements with its own subsidiaries (within the NACON group);
- agreements with Bigben Interactive (parent company).

The Company's subsidiaries have also formed agreements with Bigben Interactive subsidiaries.

All of those agreements are described in section 6.3.

Employment contract with the Chief Operating Officer

Persons concerned

The Company's Chief Operating Officer, Laurent Honoret.

Nature and purpose

An employment contract has been signed with Laurent Honoret in relation to his role as Head of Strategy and Business Development.

For that role, Laurent Honoret will receive gross annual remuneration of €84,000, payable monthly. Laurent Honoret's remuneration as Chief Operating Officer has thus been reduced to an annual gross amount of €36,000.

Details

This employment contract was authorised by the Board of Directors on 27 April 2020. The contract was signed on 2 May 2020 and took effect immediately.

Reasons for which the agreement is in the Company's interest

The purpose of this employment contract with Laurent Honoret is to enable him to oversee the NACON group's commercial strategy, and in particular to define the strategy of the Company and its subsidiaries in order to contribute to the Group's economic development.

17.2 STATUTORY AUDITOR'S REPORT ON REGULATED AGREEMENTS

To the shareholders of NACON SA,

In our capacity as statutory auditors of your company, we hereby present our report on regulated agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from these agreements and commitments prior to their approval.
In addition, we are required to inform you in accordance with Article R. 225-31 of the French Commercial

Code concerning the performance during the year of the agreements and commitments already approved by the Shareholders' General Meeting.

We have carried out the work we considered necessary to comply with the professional guidelines issued by the French national auditing body *(Compagnie Nationale des Commissaires aux Comptes)* relating to this type of assignment. Our work consisted of verifying that the information provided to us was consistent with the underlying documents from which it was extracted.

AGREEMENTS AND COMMITMENTS SUBJECT TO SHAREHOLDER APPROVAL

Agreements and commitments approved and entered into during the past year

We were not informed of any agreement or commitment authorised and entered into during the year to be submitted for approval at the Shareholders' General Meeting in accordance with article L. 225-38 of the French Commercial Code.

Agreements and commitments authorised and entered into since the accounts closing date

We have been informed of the following agreements and commitments authorised and entered into by the Board of Directors since the end of the last financial year.

Employment contract with the Chief Operating Officer

- Person concerned:

The Company's Chief Operating Officer, Laurent Honoret.

- Nature and purpose

An employment contract has been signed with Laurent Honoret in relation to his role as Head of Strategy and Business Development, for an unspecified period.

For that role, Laurent Honoret will receive gross annual remuneration of €84,000, payable monthly. Laurent Honoret's remuneration as Chief Operating Officer has thus been reduced to an annual gross amount of €36,000.

- Details

This employment contract was authorised by the Board of Directors on 27 April 2020. The contract was signed on 2 May 2020 and took effect immediately.

- Reasons for which the agreement is in the Company's interest:

The purpose of this employment contract with Laurent Honoret is to enable him to oversee the NACON group's commercial strategy, and in particular to define the strategy of the Company and its subsidiaries in order to contribute to the Group's economic development.

Paris La Défense, 18 June 2020	Roubaix, 18 June 2020
KPMG Audit IS	Fiduciaire Métropole Audit
Stéphanie Ortega *Partner*	François Delbecq *Partner*

18. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, FINANCIAL POSITION AND EARNINGS

NACON was created on 18 July 2019 to house Bigben Interactive's video games ("Gaming") business.

On 31 October 2019, Bigben Interactive SA spun off that business to NACON with retroactive effect from 1 October 2019. The spin-off concerned Bigben Interactive SA's stand-alone Gaming division, which consisted in particular of (i) its in-house Gaming activities, (ii) all of its subsidiaries dedicated to the Gaming business and consisting both of established operational subsidiaries and those created for the purpose of that transaction and (iii) shares in development studios owned by Bigben Interactive SA.

18.1 HISTORICAL FINANCIAL INFORMATION

18.1.1 Audited historical financial information

1 Statutory financial statements for the financial year ended 31 March 2020

1.1 Balance sheet

1.1.1 Assets

ASSETS	Gross 31/03/20	Depreciation, amortisation and provisions 31/03/20	Net 31/03/20
	in thousands of euros	in thousands of euros	in thousands of euros
Non-current assets			
Intangible assets			
Concessions, patents	3,372	654	2,718
	3,372	***654***	***2,718***
Property, plant and equipment			
Land	1	-	1
Buildings	5	4	1
Other property, plant and equipment	703	528	175
Property, plant and equipment in progress	16	-	16
	725	***532***	***193***
Financial assets			
Equity securities	48,995	3,800	45,195
Other long-term investment securities	1	-	1
Loans	-	-	-
Other financial assets	1,204	-	1,204
	50,200	***3,800***	***46,400***
TOTAL	**54,297**	**4,986**	**49,311**
Current assets			
Inventories and work in progress	35,534	11,728	23,806
Advances and payments on account	816	-	816
Receivables			
Trade receivables	29,480	578	28,902
Other receivables	63,464	-	63,464
Marketable securities	80,000		80,000
Cash and cash equivalents	19,671	-	19,671
TOTAL	**228,965**	**12,306**	**216,659**
Prepaid expenses	577	-	577
Expenses to be amortised over several periods	-	-	-
Exchange differences (assets)	25	-	25
TOTAL ASSETS	**283,864**	**17,292**	**266,572**

1.1.2 EQUITY AND LIABILITIES

EQUITY AND LIABILITIES	Net 31/03/2020
Equity	
Share capital	84,909
Share premiums	89,665
Statutory reserve	
Appropriated earnings	
Other reserves	
Net income for the period	1,396
Regulated provisions	-
TOTAL EQUITY	**175,970**
Contingency and loss provisions	**1,099**
Liabilities	
Borrowings and debt owed to financial institutions	63,266
Other borrowings and debt	-
Trade payables	19,065
Tax and employment-related liabilities	1,378
Liabilities relating to non-current assets	4,047
Other payables	1,647
Prepaid income	69
TOTAL LIABILITIES	**89,472**
Exchange differences (liabilities)	31
TOTAL EQUITY & LIABILITIES	**266,572**

1.2 INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Net 2019/20
Operating revenue	
Sales of products	48,775
Sales of services	293
Net revenue	**49,068**
Operating subsidies	3
Reversals of depreciation, amortisation, provisions and expense transfers	11,154
Other operating revenue	196
Total operating revenue	**60,421**
Operating expenses	
Purchases of merchandise	34,728
Changes in inventories of merchandise	-1,288
Other purchases and external expenses	11,246
Taxes other than on income	211
Wages and salaries	2,191
Social security costs	949
Additions to depreciation, amortisation and provisions on non-current assets	61
Additions to provisions on current assets	11,932
Additions to contingency and loss provisions	116
Other operating expenses	228
	60,374
Operating income	**47**
Financial income	
Financial income from equity investments	1,372
Income from other non-current financial assets	5
Other interest and similar income	-
Reversals of financial provisions	127
Foreign exchange gains	293
	1,797
Financial expenses	
Additions to financial provisions	25
Interest and financial expenses	334
Foreign exchange losses	50
	409
Net financial income/expense	**1,388**
RECURRING PRE-TAX INCOME	**1,435**
Non-recurring income	
Relating to operating transactions	**-**
Relating to capital transactions	-
Reversals of provisions	-
	0
Non-recurring expenses	
Relating to operating transactions	15
Relating to capital transactions	-
Additions to provisions	-
	15

Net non-recurring income/(expense)	**-15**
Employee profit-sharing	
Tax credit on charitable donations	-9
Tax consolidation	
Income tax	33
NET INCOME	**1,396**

2 NOTES TO THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

This document constitutes the notes to NACON SA's statutory financial statements for the year ended 31 March 2020.
Those statements show total assets of €266,572 thousand and net income of €1,396 thousand.
The figures in the notes are stated in thousands of euros unless otherwise mentioned.
The Company was incorporated on 18 July 2019 and only became active after the spin-off of Bigben Interactive SA's Gaming division, which took place on 31 October 2019 with retroactive effect from 1 October 2019. As a result, there is no information relating to previous financial years.

2.1. KEY EVENTS IN THE FINANCIAL YEAR

2.1.1. SCOPE

- **Acquisition of a stake in Lunar Great Wall Studios S.r.l.**

On 29 July 2019, Bigben Interactive SA acquired a 43.15% stake in Italian development studio Lunar Great Wall Studios S.r.l., which is better known under its trade name RaceWard. The consideration was paid in cash.

That stake was transferred from Bigben Interactive SA to NACON SA as part of the spin-off described below.

The NACON group has an option, which can be exercised at any time until 31 December 2021, to acquire an additional 10% stake in Lunar Great Wall Studios S.r.l.

The studio is based in Milan and is expanding rapidly. It expects its team to grow quickly to 30 members, veterans of the video game industry and all passionate about racing simulation games, particularly motorbike racing games.

The NACON group's purchase of a stake in this studio will strengthen its expertise in the Racing segment, which is one of the key pillars of its video-game portfolio, by developing synergies with its other studios.

- **Acquisition of 100% of Spiders SAS**

On 3 September 2019, Bigben Interactive SA acquired all of the capital and voting rights of development studio Spiders SAS for cash. Two earn-out payments relating to two development projects currently underway at Spiders may be made between 2022 and 2024. Those payments are capped and contingent on the achievement of a certain quality level and volume of future games sales.

The company was transferred from Bigben Interactive SA to NACON SA as part of the spin-off described below.

Spiders was founded in 2008 by former developers of Monte Cristo™ who worked together on the Silverfall™ game. It has specialised for several years in action and role-playing games, and has major expertise in home consoles. It has developed six multiplatform games, including the well-known Mars: War Logs™, in which the action takes place on the planet Mars, Bound by Flame™, a medieval fantasy RPG(1) that has been a big commercial hit, and The Technomancer™, a cyberpunk RPG(1). Spiders' new game Greedfall™, hotly anticipated among the gamer community, was released in September 2019 and has a unique visual identity inspired by the Baroque art of Europe in the 17th Century.

The studio is based in Paris and has some 30 employees. It uses its own game engine called Silk Engine, which features all the latest functionalities and technologies, enabling it to design games for all platforms, both PC and console.

The deal gives NACON group outstanding expertise, which Spiders has built up over a number of productions with established developers who are known for the high quality of their games.

- **Spin-off of Bigben Interactive SA's Gaming division to NACON SAS**

Legal aspects

NACON (the **"Company"**) was incorporated on 18 July 2019 in the form of a simplified joint-stock corporation with share capital of €10,000.

Bigben Interactive SA's Board of Directors, in its 4 September 2019 meeting, approved the principle of combining the assets and liabilities making up its Gaming division and spinning them off (the **"Spin-off"**) to NACON SAS, a wholly-owned subsidiary of Bigben Interactive SA.

Bigben Interactive's shareholders, in an extraordinary shareholders' meeting held on 31 October 2019, approved the completion of the spin-off transaction. The Company's sole shareholder also approved the Spin-off on 31 October 2019, with retroactive effect for accounting and tax purposes from 1 October 2019 in accordance with Article L. 236-4 of the French Commercial Code.

The value of the net assets transferred was estimated at €65,087,988 on that date. Through a decision by the Company's sole shareholder on 31 October 2019, NACON's share capital was increased by €65,087,988, taking it from €10,000 to €65,097,988, through the issue of 65,087,988 shares with par value of €1 each to Bigben Interactive, as payment for the spin-off from Bigben Interactive (transferor) to the Company (transferee).

Since the 1 October 2019 accounts closing was finalised subsequently at the time that Bigben Interactive's interim financial statements were approved on 25 November 2019, the actual net assets transferred as shown by both companies' statutory financial statements was €65,603,700. As a result and in accordance with the Spin-off Agreement, NACON offset the additional sum of €515,712 by recording it under share premiums on the liabilities side of NACON's balance sheet.

Operational aspects

That transaction, which took the form of a spin-off as described above, included the development studios acquired by the Group in the previous two years, distribution subsidiaries dedicated to the games business and related contracts, along with all of the Gaming division's patents and intellectual property.

As a result of the Spin-off, NACON owns, directly or indirectly, shares in NACON (HK) Ltd, NACON Gaming España, Bigben Interactive Belgium SA, Bigben Interactive Nederland BV, Bigben Interactive GmbH (Germany), Bigben Interactive Italia Sprl, Games.fr SAS, Cyanide SAS, Amusement Cyanide Inc., Eko Software SAS, Kylotonn SAS, Spiders SAS, Lunar Great Wall Studios S.r.l. (RaceWard) and joint venture BBI USA Inc.

Since 31 October 2019, NACON SAS has been led by Alain Falc as Chairman, and then as Chairman/CEO since the Company became a public limited company *(société anonyme)* on 22 January 2020.

The Spin-off has clarified the Bigben group's organisation, creating a legal distinction between its three divisions, – Gaming on the one hand, and Mobile and Audio on the other – within two distinct operational business segments, i.e. the "Bigben - Audio / Telco" segment and the "NACON - Gaming" segment.

The creation of NACON has given the Gaming division the independence it needs, while enhancing its operational and strategic organisation.

- **The NACON SA IPO**

By giving the Gaming division its own identity, Bigben Interactive gave it the resources it needs to develop more quickly, particularly as regards funding.

To support its subsidiary's future growth and enable it to continue its selective policy of acquiring games studios, Bigben Interactive SA looked at various options for its expansion and decided that an initial public offering for its NACON subsidiary was the best option to secure funding for its Gaming business.

The timetable of the Company's IPO was as follows:

- 22 January 2020: conversion of the Company into a public limited company *(société anonyme)* and appointment of the Company's main governing bodies.
- 29 January 2020: approval of the Company's Registration Document by the Autorité des Marchés Financiers (**"AMF"**) under number I.20-003.
- 19 February 2020: approval of the Prospectus by the AMF under number 20-047.
- 20 February 2020: publication of the press release announcing the start of the French public offering (**"FPO"**) and the International Offering (the **"IO"**) (together the **"Offering"**), publication of the Prospectus and publication by Euronext of the notice announcing the start of the Offering.
- 27-28 February 2020: End of the FPO and IO, setting of the Offering price, signature of the Placement Agreement and publication by Euronext of the notice announcing the result of the Offering.
- 3 March 2020: settlement-delivery of the FPO and the IO.
- 4 March 2020: first day on which the Company's shares were traded on Euronext's regulated market in Paris on a trading line entitled "NACON" and start of the stabilisation period.
- 26 March 2020: end of the stabilisation period.

On 4 March 2020, following the success of the Offering at a price of €5.50 per share, which was four times oversubscribed (€7.7 million of subscriptions to the FPO with the extension clause fully exercised, and the IO fully subscribed), the Company's Board of Directors officially noted the first listing of the Company's shares on Euronext's regulated market in Paris and voted to increase its capital by €18,181,819 by issuing 18,181,819 new shares with par value of €1 each, plus a total share premium of €81,818,185.50 (i.e. €4.50 per ordinary share). As a result, the share capital amounted to €83,279,807 on that date, divided into 83,279,807 ordinary shares with par value of €1 each, fully subscribed and fully paid-up.

After that transaction, the Company's market capitalisation was around €458 million based on the IPO price of €5.50. The free float represented 19.65% of the Company's share capital and Bigben Interactive SA held 78.17% of its capital.

In accordance with Article L. 225-135-1 of the French Commercial Code, and to stabilise the Company's share price in the context of its IPO, on 28 February 2020 the Company's Board of Directors granted to Louis Capital Markets, as stabilising agent, an over-allotment option allowing up to 1,818,181 additional new shares to be subscribed at the offering price of €5.50. That over-allotment option could be exercised until 27 March 2020.

The share price having remained stable, the stabilising agent informed the Company on 26 March 2020 that the stabilisation transactions had ended, stating that the Company's shares offered as part of the over-allotment transactions had been subscribed in an amount of €9 million. Following the partial exercise of the over-allotment option, the Company's Board of Directors decided to increase its capital by €1,629,112 by issuing 1,629,112 additional new shares at a price of €5.50, i.e. €1 par value and a €4.50 issue premium, representing subscriptions totalling €8,960,116 including the issue premium.

As a result, the total number of the Company's shares issued as part of its IPO amounted to 19,810,931, i.e. 23.33% of the Company's capital, taking the size of the issue to €109 million. The Company's share capital is now made up of 84,908,919 shares.

Bigben Interactive SA has therefore held 76.67% of the Company's capital since 26 March 2020 and still controls NACON SA following the transaction.

- **Acquisition of RIG^{TM} Gaming headsets and the RIG^{TM} premium brand, and the creation of dedicated subsidiaries**

  - *Acquisition of RIG^{TM} Gaming headsets and the RIG^{TM} premium brand from Plantronics Inc. (“Poly”)*

On 5 February 2020, Bigben Interactive announced an agreement between its NACON subsidiary and Plantronics Inc. (“Poly”) regarding the acquisition of the latter company’s gaming headsets business and RIG^{TM} premium brand. That acquisition was completed on 20 March 2020 after the usual prior conditions were met.

NACON intends to continue and develop the RIG^{TM} headsets business, particularly in the US market where the brand and sales of these specific products are particularly well established. The transaction should enable NACON to establish itself in the world’s largest market for this kind of product and to market all of its Gaming products effectively.

After expanding into the US market, the deal should enable NACON to strengthen and increase its Gaming Accessories range significantly through the addition of RIG^{TM} products, which complement its existing products very well and are acknowledged by gamers to be of high quality, but also to underpin and strengthen the NACON® brand’s premium position in the market.

  - *Creation of two entities in charge of marketing RIG headsets*

    - Incorporation of NACON Gaming Inc.

Following the agreement with Poly (Plantronics Inc.) in the fourth quarter of 2019/20 regarding the acquisition of its gaming headset business and its premium RIG™ brand (see section 2.2.6), NACON created NACON Gaming Inc. on 11 February 2020. The company is incorporated under the law of Delaware, where its head office is located, and has a commercial establishment in Seattle (Washington state) and a logistics establishment in Santa Cruz (California). The company supports the Group’s commercial activities in the United States in the video games and accessories sector. Its purpose is to grow sales of RIG^{TM} headsets and other NACON group products in that territory.

    - Incorporation of NACON Pty Ltd.

Following the agreement with Poly (Plantronics Inc.) in the fourth quarter of 2019/20 regarding the acquisition of its gaming headset business and its premium RIG™ brand (see section 2.2.6), NACON created NACON Pty Ltd on 17 March 2020. The company supports the Group’s commercial activities in the Australia in the video game accessories sector and its purpose is to grow sales of RIG^{TM} headsets and other NACON group products in that territory.

2.1.2. OWNERSHIP STRUCTURE

- **Acquisition of 100% of Spiders SAS**

See section 2.1.1.

- **Acquisition of a 43.5% stake in Lunar Great Wall Studios S.r.l. (RaceWard)**

See section 2.1.1.

- **Crossing of ownership disclosure thresholds**

No ownership disclosure thresholds have been crossed.

The Company's ownership structure at 31 March 2020 was as follows:

Shareholder	Category	% of the capital	% of voting rights (1)
Bigben Interactive SA		76.67%	76.67%
Bpifrance Investissement (2)	Institutional investor	2.14%	2.14%
CDC Croissance (2)	Institutional investor	0.86%	0.86%
Free float		20.31%	20.33%
Liquidity agreement		0.02%	
Total		**100.00%**	**100.00%**

(1): gross voting rights
(2): Bpifrance Investissement is a fund managed by Bpifrance Participations. Bpifrance Participations is owned by Bpifrance SA, which is itself 50%-owned by Caisse des Dépôts et Consignations (CDC).

2.1.3. OTHER EVENTS

- **Changes in debt**

In 2019/20, NACON SA took out €35 million of new medium-term loans (€19 million taken out by BBI before the Spin-off and €16 million taken out by NACON SA after the Spin-off) and made repayments on medium-term bank loans and finance leases according to their repayment schedules.

However, since the Company raised €109 million of funds through its IPO (€103 million net after IPO fees), it had a net cash position at 31 March 2020.

- **Covid-19 (coronavirus) crisis**

The Company has been affected by this global public health crisis in the following ways:
- Its Asian sources of accessories supplies have been disrupted since early January 2020.
- Stores have closed because of lockdown measures imposed by the main European countries in March 2020.
- Measures have been taken to protect employees and third parties (remote working etc.).

In operational terms, support staff and development teams have been working remotely since mid-March 2020. Only a few staff members, whose work was limited or impossible to carry out remotely, have been put on furlough.

However, the financial impact of the crisis was positive in terms of earnings in the year ended 31 March 2020: although the impact on Gaming Accessories sales was negative, its effect on digital games sales was strongly positive during the lockdown period.

2.1.4. POST-BALANCE SHEET EVENTS

- **Further developments in the Covid-19 (coronavirus) crisis**

Given firm sales in April and May, NACON SA is not expecting the crisis to have negative repercussions on its sales and earnings in its 2020/21 financial year.

2.2. ACCOUNTING POLICIES AND PRINCIPLES

Application of ANC regulations 2014-03, 2015-06 and 2016-07.

Generally accepted accounting conventions have been applied in accordance with the principle of prudence and the general rules for preparing and presenting annual financial statements, i.e. going concern, consistency of accounting policies and accrual basis.

Historical cost is the basic method used to measure items recorded in the financial statements.

When preparing the financial statements, the Company's management may make estimates and use assumptions that affect the value of assets and liabilities, income and expenses, along with information provided in the notes, particularly as regards non-current financial assets and other receivables (see "Additional notes to the balance sheet – Other receivables").

Those estimates and assumptions are based on information and estimates known on the accounts closing date and may prove substantially different from actual figures. Assumptions relate in particular to the valuation of equity securities and associated loans, commitments to employees and provisions.

2.2.1. CHANGES IN ACCOUNTING POLICIES

Not applicable since NACON SAS has only existed operationally for six months. No change in accounting policies took place during the year compared with the policies that were applied to Bigben Interactive SA's Gaming business (which was spun off to create NACON SA).

2.2.2. CHANGE IN PRESENTATION METHOD

Not applicable since NACON SAS had only existed operationally for six months at the accounts closing date. However, the presentation methods adopted in the annual financial statements are identical to those used in the financial statements for the year ended 31 March 2019 of Bigben Interactive SA, whose Gaming business was spun off to NACON SA.

2.2.3. ACCOUNTING POLICIES

From the 2019/20 financial year, accounting policies are presented directly in the notes to which they relate, in order to facilitate understanding of the financial statements.

2.3. Additional notes

2.3.1. Additional notes to the balance sheet

- **Note 1 – Intangible assets**

Changes in the year were as follows:

(in thousands of euros)	Spin-off on 01/10/2019	Acquisitions	Disposals or transfers	31 March 2020
Software	**114**	**10**	**-**	**124**
Trademarks	**1,266**	**1,642**	**-**	**2,908**
Patents	**340**	**-**	**-**	**340**
Total	**1,720**	**1,652**	**-**	**3,372**

Changes in amortisation during the year were as follows:

(in thousands of euros)	Spin-off on 01/10/2019	Additions	Reversals	31 March 2020
Software	98	12	-	110
Trademarks	228	-	-	228
Patents	312	4	-	316
Total	**638**	**16**	**-**	**654**

If protection of a patent is not renewed, its remaining carrying amount is amortised.

⇨ ***Accounting policy – Intangible assets***

Intangible assets are recognised at cost and amortised as follows:

Category	Amortisation method
Software	12-36 months
Patents	Straight-line, 10 years
Trademarks	Not amortised - subject to impairment tests

Note 2 - Property, plant and equipment

Changes in the year were as follows:

(in thousands of euros)	Spin-off on 01/10/2019	Acquisitions	Transfers	Disposals	31 March 2020
Land	1	-	-	-	1
Buildings	5	-	-	-	5
Fixtures and fittings	48	-	-	-	48
Vehicles	5	-	-	-	5
Office furniture and equipment	592	58	-	-	650
Property, plant and equipment in progress	5	11	-	-	16
Total	**656**	**69**	**-**	**-**	**725**

Changes in depreciation during the year were as follows:

(in thousands of euros)	Spin-off on 01/10/2019	Additions	Transfers	Reversals	31 March 2020
Buildings	4	-	-	-	4
Fixtures and fittings	4	2	-	-	6
Vehicles	4	-	-	-	4
Office furniture and equipment	475	43	-	-	518
Total depreciation	**487**	**45**	**-**	**-**	**532**

⇨ ***Accounting policy – Property, plant and equipment***

Property, plant and equipment are recognised at cost and are mainly depreciated on a straight-line basis over their useful lives, as follows:

Category	Depreciation method
Buildings	Straight-line, between 15 and 25 years
Building improvements	Straight-line, between 10 and 20 years
Fixtures and fittings	Straight-line, between 4 and 10 years
Plant and equipment	Straight-line, between 5 and 8 years
Vehicles	Straight-line, 4 years
Furniture, office equipment	Straight-line, between 3 and 10 years

- **Note 3 – Equity securities**

Gross value of equity securities

Company	Spin-off 1 October 2019	Increases	Decreases	Gross value 31 March 2020
Games.fr SAS	2,849	-	-	2,849
Bigben Interactive Belgium	2,897	-	-	2,897
Bigben Interactive GmbH	500	-	-	500
Kylotonn	2,787	-	-	2,787
Bigben Interactive US	37	-	-	37
NACON US	-	458	-	458
Bigben Interactive Italy	100	-	-	100
NACON HK	117	-	-	117
Cyanide	22,874	-	-	22,874
Eko Software	9,796	-	-	9,796
Lunar	180	-	-	180
Spiders	6,400	-	-	6,400
Total securities	**48,537**	**458**	**-**	**48,995**

⇨ ***Accounting policy – Non-current financial assets***

Equity securities are measured at their cost on the date they became part of the company's assets.
At the end of the period, management assesses the recoverable amount of:
- equity securities;
- any receivables connected with equity securities;
- any other non-current financial assets connected with equity securities (losses on cancelled shares in a merger etc.).

Provisions for impairment of these various items may be recognised at the end of the period depending on the asset's value in use, as assessed in aggregate by management using the Group's overall strategy, based on discounted cash flows forecast by the Group.

Where a subsidiary shows negative equity and the Company has an obligation (legal or constructive) to support that subsidiary, a contingency provision is recognised in the amount of the negative equity.

Shares in the Games.fr and Eko Software subsidiaries have been impaired. The net values of securities are as follows:

Company	Gross value	Provision	Net value
Games.fr SAS	2,849	1,300	1,549
Bigben Interactive Belgium	2,897		2,897
Bigben Interactive GmbH	500		500
Kylotonn	2,787		2,787
Bigben Interactive US	37		37
NACON US	458		458
Bigben Interactive Italy	100		100
NACON HK	117		117
Cyanide	22,874		22,874
Eko Software	9,796	2,500	7,296
Lunar	180		180
Spiders	6400		6,400
Total securities	**48,995**	**3,800**	**45,195**

(See section 2.1.2)

On 29 July 2019, a non-controlling stake of 43.15% was acquired in Italian development studio Lunar Great Wall Studios S.r.l., which is better known under its trade name RaceWard. NACON has an option, which can be exercised at any time until 31 December 2021, to acquire an additional 10% stake in Lunar Great Wall Studios S.r.l.

On 3 September 2019, Bigben Interactive acquired 100% of the shares and voting rights in Spiders SAS.

Bigben Interactive's stakes in these two studios and in other existing studios were transferred to NACON as part of the aforementioned spin-off.

Note 4 – Other non-current financial assets

(in thousands of euros)	31 March 2020	Spin-off 01/10/19
Long-term investment securities	**1**	**1**
Deposits and guarantees	**31**	**9**
Cash held as security for Bpifrance loans	**773**	**523**
Cash held under the liquidity agreement	**325**	
Treasury shares	**74**	
Total	**1,204**	**533**

Bpifrance has retained several cash amounts as security for loans, in a total amount of €773 thousand.

A liquidity agreement was formed in 2019/20 with Louis Capital Markets UK LLP. That agreement, which has a one-year term and is renewable by tacit agreement, took effect on 27 March 2020. The signature of the liquidity agreement follows the Autorité des Marchés Financiers decision no. 2018-01 of 2 July 2018, applicable since 1 January 2019, which establishes liquidity agreements relating to equity securities as an accepted market practice.

For the implementation of that agreement, a cash sum of €400,000 was allocated to the liquidity account.

After transactions in the market, available cash under the liquidity agreement amounted to €325 thousand.
Under the liquidity agreement, 15,960 shares were held with a gross value of €74 thousand at 31 March 2020.

> ⇨ ***Accounting policy – Other non-current financial assets***
> *Other non-current financial assets consist of rental deposits and long-term investment securities. Rental deposits are recognised at cost.*

Note 5 – Inventories and work in progress

(in thousands of euros)	31 March 2020	Spin-off 01/10/19
Inventories (gross value)	35,534	34,246
Impairment	-11,728	-10,729
Inventories (net value)	**23,806**	**23,516**

Provisions at the time of the Spin-off on 01/10/2019	**10,729**
Reversals during the year	-10,729
Additions during the year	11,728
Provision at the end of the year – 31/03/2020	**11,728**

> ⇨ ***Accounting policy – Inventories and work in progress***
> *Inventories consist of accessories and physical video games valued at their weighted average price. The purchase price includes incidental costs.*
> *Impairment is recognised on products held in inventory in the following way:*
> - *After-sales service inventories are written down in full.*
> - *At each closing date, the values of products held in inventory are reviewed by comparing their last selling price (in the last 12 months) with their weighted average price. Where appropriate, impairment is recognised if the average selling price in the last 12 months is lower than the weighted average price.*
> - *Management may recognise additional impairment on specific product lines.*
> - *Finally, and in addition to the two approaches mentioned above, additional impairment is recognised based on the age of the products held in inventory.*

Note 6 – Trade receivables

(in thousands of euros)	31 March 2020	Spin-off 01/10/19
Trade receivables	29,102	24,189
Doubtful receivables	378	378
Provisions for contingencies and doubtful receivables	-578	-641
Net trade receivables	**28,902**	**23,926**

Factored trade receivables amounted to €347 thousand at 31 March 2020 as opposed to €2,716 thousand at 1 October 2019 (the date of the spin-off).

Amounts receivable from distribution subsidiaries totalled €14,504 thousand, including €3,120 not yet due, reflecting a normal situation without any payment delays.

⇨ ***Accounting policy – Receivables***

Receivables are measured at their nominal value. All receivables are due in less than one year.
A provision is set aside for doubtful or disputed receivables or receivables that show a recovery risk, after assessment on a case-by-case basis. 100% of the ex-VAT amount of doubtful receivables is provisioned. This item consists mainly of receivables from customers in liquidation or judicial insolvency proceedings that have very little prospect of being settled.

- **Note 7 – Other receivables**

(in thousands of euros)	31 March 2020	Spin-off 01/10/19
Credits and discounts receivable from suppliers	565	1,014
Other amounts receivables from suppliers	0	6
Various receivables	17	169
Publisher game development costs	55,246	49,121
Loans to subsidiaries	2,841	507
VAT	4,795	2,106
Provisions for impairment	-	-
Sub-total operating receivables	**63,464**	**52,923**
Receivables relating to divested non-current assets	-	-
Total other receivables	**63,464**	**52,923**

Publisher game development costs

This item represents expenses incurred by NACON SA as publisher in developing games already on the market or currently being developed and with prospects of being launched in the market. Those costs include amounts paid by the Company as royalties to developer studios. Contracts with the studios generally stipulate that, during the development of a game, the publisher pays the studio a guaranteed minimum amount or fixed milestone payments based on sales forecasts. If the estimated sales figures are exceeded, additional royalties are paid to the studio.

Advances paid by NACON SA during game development are recognised on the income statement based on progress with marketing the games in question.

At the end of each financial year, Management makes forecasts regarding each game’s revenues. Where those forecasts are less than the game development costs borne by NACON, impairment is recognised.

The “Publisher game development cost” item breaks down as follows:

	Gross value	Royalties on the income statement	Net value
Games under development	28,814	-	28,814
Games on the market	48,517	22,084	26,432
Total	**77,330**	**22,084**	**55,246**

VAT

This item includes €4.3 million of VAT receivable because of the predominance of the Company’s export business.

- Receivables: maturity schedule

	Gross amount	within 1 year	between 1 and 5 years	over 5 years
Other financial assets	1,204	325	-	879
Trade receivables	29,480	29,480	-	-
Employees	12	12	-	-
Social security and other organisations	1	1	-	-
Central government and other public bodies				
- VAT	4,382	4,382	-	-
- Other taxes and levies	413	413		-
Game development costs	55,246	55,246		
Miscellaneous receivables	569	569	-	-
Group and associates	2,841	2,841	-	-
Prepaid expenses	577	577		-
Total	**94,725**	**93,846**	**-**	**879**

Note 8 – Marketable securities

Marketable securities include €80 million in an 18-month term deposit account. The interest rate on that account rises every six months. If some or all of the money is withdrawn early, only the interest for the current quarter is lost. Interest calculated in previous quarters is accrued.

Note 9 - Prepaid expenses

(in thousands of euros)	31 March 2020	Spin-off 01/10/19
General expenses and merchandise	88	90
Finance leases	10	6
Costs incurred on games by the publisher	477	346
Other expenses	2	8
Total	**577**	**450**

Costs incurred on games by the publisher mainly include the cost of trailers.

Note 10 – Equity

- Table summarising movements in the share capital and share premiums:

		Number of shares		Capital increase					
Date	Type of transaction	Number of shares issued	Total number of shares in issue	Share capital issued	Issue or contribution premium	Gross proceeds from the capital increase	Par value per share	Share capital after transaction	Price per share
18/07/2019	Incorporation (contribution in cash)	10,000	10,000	€10,000	/	€10,000	€1.00	€10,000	€1.00
01/10/2019	Spin-off	65,087,988	65,097,988	€65,087,988	/	€65,087,988	€1.00	€65,097,988	€1.00
28/02/2020	Capital increase (public offering)	18,181,819	83,279,807	€18,181,819	€81,818,185.50	€100,000,004.50	€1.00	€83,279,807	€5.50
26/03/2020	Capital increase (over-allotment option)	1,629,112	84,908,919	€1,629,112	€7,331,004	€8,960,116	€1.00	€84,908,919	€5.50

- Equity

The share capital is made up of 84,908,919 shares with par value of €1 each.
See section 2.1.2.

- Issue and contribution premiums

Changes during the period were as follows:

Issue premiums

See table above.

Contribution premiums

Under article 7.4 of the transfer agreement, the positive difference between actual assets and the estimated net assets in the spin-off was recorded on the liabilities side of NACON's balance sheet under contribution premiums in an amount of €515,712.35.
Actual assets contributed: €65,603,700.35
Estimated net assets in the spin-off: €65,087,988.00

- Reserves

See table above.

Note 11 – Change in equity

Equity at 18 July 2019 (incorporation)	**€10,000.00**
Spin-off	€65,603,700.35
Capital increase (public offering)	€100,000,004.50
Capital increase (over-allotment option)	€8,960,116.0
Net income for the 2019/20 financial year	€1,396,037.48
Equity at 31 March 2020	**€175,969,858.33**

Note 12 - Contingency and loss provisions

(in thousands of euros)	Spin-off 01/10/2019	Additions	Provisions used	Provisions no longer required	31 March 2020
Provisions for foreign exchange losses	127	25	127	-	25
Provisions for industrial property disputes	530	-	-	-	530
Provisions for retirement benefits	114	2	-	-	116
Provisions for defective product returns	314	428	314	-	428
Total	**1,085**	**455**	**441**	**-**	**1,099**

- Provisions for exchange rate risks

Given movements in the EUR/USD exchange rate, exchange differences show an unrealised loss of €25 thousand, which is fully provisioned, with most of the previous year's €127 thousand provision having been released in 2019/20.

- Industrial property dispute

Given the status of existing proceedings and the Group's defence, management remains confident that it will be able to resolve this dispute without any financial loss. However, since the company has received an adverse judgment ordering it to pay €530 thousand on the ground of unfair competition, a provision in that amount was set aside on 31 March 2015. No additional provisions were set aside in the Group's financial statements on 31 March 2020. This position is similar to the one adopted at 31 March 2017, 2018 and 2019.

The Group has also commenced other non-material proceedings against some of its suppliers and competitors, which may be resolved in its favour.

- NACON has commenced proceedings against an accessories supplier for wrongful termination of a procurement contract. On 19 November 2019, the Berlin appeal court proposed a settlement agreement favourable to NACON based on the value of inventories acquired by NACON. The proposal was rejected by the supplier and so the proceedings are ongoing.

- There is a dispute between a Canadian publisher and one of NACON SA's studios regarding a purported breach of a video game development contract. The case was brought before the Superior Court of Quebec in December 2017. NACON SA, in its defence filed in April 2018, argued that the publisher's claim was manifestly ill-founded and asked the Court to find that the publisher's claim is improper and require it to pay damages in the form of its lawyers' fees and other costs.

- Finally, there is a dispute between NACON SA as publisher and a foreign development studio, regarding purported breaches of contract and in particular intellectual property claims that NACON SA regards as questionable.

In NACON SA's view, the claims are groundless. Since these disputes are not of a serious nature, NACON SA has classified them as non-material disputes. As such, the Company has decided not to set aside accounting provisions in relation to them.

⇨ *Accounting policy – Contingency and loss provisions*

Retirement benefit obligations: When they retire, employees are entitled to receive benefits under the collective agreement for the French wholesale distribution industry. The obligation is calculated assuming that employees retire voluntarily at age 65 and based on the probability that employees will be at the company when they reach retirement age. Actuarial gains and losses are taken to the income statement.

Assumptions used	March 2020
Discount rate	1.57%
Turnover	7.0% to 8.0%
Mortality rates	TF & TH 00.02
Rate of salary increase	
Managers	*2.00%*
Supervisory, technical and clerical staff members	*2.00%*

Other provisions:
Provisions are assessed by Management to cover the company's present obligations (legal or constructive) in accordance with French GAAP. Litigation provisions are measured on the basis of claims made by third parties, adjusted as the case may be to take account of the Company's defence.

Note 13 – Borrowings and debt owed to financial institutions

(in thousands of euros)	31 March 2020	within 1 year	from 1 to 5 years	over 5 years	Spin-off 01/10/19
Borrowings from financial institutions	63,195	14,515	47,214	1,466	52,773
Bank facilities	13	13	-	-	3,008
Factoring	-	-	-	-	-
Accrued interest not matured on borrowings	58	58	-	-	22
Total	**63,266**	**14,586**	**47,214**	**1,466**	**55,803**

Note 14 – Operating liabilities

All operating liabilities are due in less than one year and break down as follows:

(in thousands of euros)	31 March 2020	Spin-off 01/10/19
Trade payables	19,065	25,229
Social security liabilities	1,038	822
Tax liabilities	340	756
Total	**20,443**	**26,807**

Note 15 – Miscellaneous liabilities

(in thousands of euros)	31 March 2020	Spin-off 01/10/19
End-of-year discounts to be granted to customers	1,647	801
Customer accounts in credit		699
Loans from subsidiaries		
Liabilities relating to non-current assets	4,047	2,410
Total	**5,694**	**3,910**

Liabilities relating to non-current assets include the earn-out payment due on the acquisition of Spiders SAS.

Note 16 - Liabilities: maturity schedule

	Gross amount 31 March 2020	within 1 year	from 1 to 5 years	over 5 years
Bank borrowings	63,266	14,586	47,214	1,466
Trade payables	19,065	19,065	-	-
Employees	440	440	-	-
Social security and other organisations	598	598	-	-
Central government and other public bodies				
- Income tax	33	33	-	-
- VAT	47	47	-	-
- Other taxes and levies	260	260	-	-
Liabilities relating to non-current assets	4,047	4,047	-	-
Miscellaneous creditors	1,647	1,647	-	-
Prepaid income	69	69	-	-
Total	**89,472**	**40,893**	**47,214**	**1,466**

Note 17 – Items relating to several balance sheet and income statement items

Item	Related companies	Associates
Non-current assets		
Associates	**48,995**	-
Receivables related to associates	-	-
Current assets		
Trade receivables	**14,390**	-
Other receivables	**125**	-
Liabilities		
Trade payables	**9,662**	-
Liabilities relating to non-current financial assets	**2,400**	-
Other payables	**605**	-
Net financial income/expense		
Financial income	**5**	-
Dividends received from subsidiaries	**1,372**	-
Financial expense	**5**	
Tax consolidation	-	
Tax credit on charitable donations	-	-

Values shown in this table are gross figures, excluding any impairment.

Note 18 – Accrued expenses

(in thousands of euros)	31 March 2020	Spin-off 01/10/19
Accrued interest payable to banks	**58**	**22**
Purchase invoices not yet received	**4,013**	**4,563**
Social security liabilities	**608**	**451**
Directors' attendance fees	**30**	
Salary-based taxes	**76**	**49**
Tax liabilities	**289**	**143**
End-of-year discounts to be granted to customers	**1,585**	**801**
Interest on miscellaneous liabilities	**13**	**29**
Total	**6,672**	**6,058**

2.3.2. ADDITIONAL NOTES TO THE INCOME STATEMENT

- **Note 19 - Breakdown of revenue**

- Breakdown of revenue by geographical zone

(in thousands of euros)	2019/20
France	7,859
Export	41,209
Total	**49,068**

Accounting policy – Revenue

Revenue is measured on the basis of the consideration specified in an agreement signed with a client.

- *Sales of retail games and accessories: Revenue generated by sales of physical video games and accessories is recognised on the date on which the products are delivered to distributors, minus any commercial discounts and an estimate of the price reductions that NACON will apply if sales in retailers' stores prove insufficient.*

- *Sales of digital games: revenue is recognised on the date the content is made available to console manufacturers or platforms. NACON acts as a principal with respect to console manufacturers and platforms to which the games masters are sent (and not with respect to end-users), and therefore recognises the amounts specified in contracts with those console manufacturers and platforms (and not the amounts billed to end-customers) as revenue. Amounts guaranteed by platforms are recognised as revenue as soon as the games master is made available, and additional amounts (royalties) depending on future console and platform sales are recognised when those sales take place.*

- **Note 20 – Other operating income and releases of provisions**

(in thousands of euros)	31 March 2020
Releases of operating provisions	
- Inventories	10,729
- Current assets	267
- Contingency and loss provisions	
Sub-total	**10,996**
Miscellaneous operating income	
- Expense transfers	158
- Other operating revenue	196
Sub-total	**354**
Total	**11,350**

Expense transfers mainly correspond to the onward invoicing of expenses to various subsidiaries in an amount of €86 thousand.

Note 21 - Research and development costs

(in thousands of euros)	31 March 2020
Applications	164

Research and development costs include all fees paid for feasibility studies and patent, trademark and model applications relating to products developed by the Company.

Note 22 - Depreciation, amortisation and operating provisions

(in thousands of euros)	31 March 2020
Intangible assets	16
Property, plant and equipment	45
Inventories	11,728
Other current assets	204
Contingency and loss provisions	116
Total	**12,109**

Note 23 – Net financial income/expense

(in thousands of euros)	2019/20
Dividends received from subsidiaries	1,372
Foreign exchange gains/losses	243
Loans interest paid to subsidiaries	-5
Loan interest received from subsidiaries	5
Interest received	
Additions to/releases from currency risk provisions	102
Provisions for unrealised losses on derivative instruments	
Additions to or releases from provisions on securities in subsidiaries	
Provisions on treasury shares	
Interest paid	-329
Total	**1,388**

Dividends received from subsidiaries correspond to those received from NACON HK Ltd.

Note 24 - Net non-recurring income/(expense)

- Non-recurring income and expense

(in thousands of euros)	2019/20
Non-recurring expense	
Losses on treasury shares	-
Special depreciation and amortisation	-
Additions to provisions on property, plant and equipment	-
Net carrying amount of fees relating to the purchase of shares in MDL Group	-
Net carrying amount of shares: Newave (in liquidation)	-
Other non-recurring expenses	15
Total	**15**
Non-recurring income	
Disposal of non-current assets	-
Gains on treasury shares	-
Releases of provisions on property, plant and equipment	-
Releases of provisions on securities – Newave (in liquidation)	-
Releases of special depreciation and amortisation	-
Other non-recurring income	-
Total	**15**

- Non-recurring items by type

(in thousands of euros)	2019/20
Gains or losses on disposals of treasury shares	-
Capital gains on disposals of property, plant ar equipment	-
Net carrying amount of fees relating to the purchase of shares in MDL Group	-
Special depreciation and amortisation	-
Other	(15)
Total	**(15)**

Note 25 – Income tax

- Breakdown of income tax

(in thousands of euros)	Recurring income	Net non-recurring income/(expense) and employee profit-sharing	Miscellaneous	**Total**
Pre-tax income	1,435	-15	9	1,429
Tax at the standard rate of 28%	-	-	-	-33
Income after tax	**1,435**			**1,396**

The "Miscellaneous" item corresponds to the tax credit on charitable donations in an amount of €9 thousand.

- Deferred and contingent tax

Tax due on:		
Regulated provisions		-
Expenses deducted from taxable income but not yet recognised		-
Total increases		**-**
Tax paid in advance on:		
Provisions not deductible in the year of recognition (following year):		
Employee profit-sharing		-
CSSS (corporate social solidarity contribution)		20
To be deducted subsequently:		
Exchange differences (liabilities)	-	
Provisions for exchange-rate risk	25	
Director attendance fees	47	
Provisions for retirement benefit obligations		116
Taxable income not yet recognised		0
Total reductions		**208**
(at the standard tax rate of 28%)		

- Tax inspection

It should be noted that Bigben Interactive SA was subject to an inspection by the tax authorities regarding its financial years from 1 April 2013 to 31 March 2018, including the Bigben Interactive SA gaming business that was transferred to NACON SA on 1 October 2019. A reassessment proposal was received on 2 March 2020. Bigben Interactive SA intends to reply to the tax authorities within the timeframe allowed within the context of the Covid-19 crisis, disputing most of the proposed reassessments.

Under the spin-off transaction, Bigben Interactive SA and NACON SA are jointly and severally liable for taxes relating to the gaming business arising from taxable events prior to the transaction. The transferee may dispute the merits of the tax reassessments concerned before the tax authorities and courts to the extent of the sums for which it may be found jointly and severally liable, and the transferor may also dispute the collection of tax in the same way as the transferee.

If the reassessments were confirmed, the financial consequences would be very limited since the additional tax charged by the tax authorities would be deducted over the subsequent years.

2.3.3. OTHER INFORMATION

- **Note 26 – Off-balance sheet commitments**

- Guarantees given

Commitments given	Beneficiary	31 March 2020	Purpose of the commitment
Bank guarantee	CIC	5,000	Pledge of Cyanide SAS shares
Bank guarantee	Banque Postale	5,000	Pledge of Cyanide SAS shares
Bank guarantee	CIC	2,000	Pledge of Kylotonn SAS shares
Bank guarantee	CIC	4,000	Pledge of Spiders SAS shares
Bank guarantee	BPI	773	Amounts withheld as security in relation to several loans taken out between 2017 and 2019 (presented under other financial assets on the balance sheet)

- Import documentary credits

At 31 March 2020, no import documentary credits were outstanding.

- Exchange-rate risk management

At 31 March 2020, the Company was not a party to any FX TARN/accumulator contracts. FX TARNs/accumulators are complex structured derivatives through which the Group undertakes to buy or sell USD according to a schedule and at rates defined when the contract is signed. The use of TARNs/accumulators is based on a strategy that aims to accumulate USD at an exchange rate that is better than currently available spot and forward rates in return for uncertainty about the total amount of USD that may be accumulated. In the event of a large change in the EUR/USD exchange rate (upward or downward respectively depending on whether the Company is buying or selling USD), long or short exposure may increase and cause foreign exchange losses to be recognised on these instruments.

⇨ ***Accounting policy –Exchange-rate risk management***

Foreign-currency receivables are measured at the period-end exchange rate.
As regards exchange-rate risk, most purchases, including purchases of accessories, are in foreign currency (mainly USD and GBP).

- Interest-rate risk management

There are no interest-rate hedges in place.

- Bank covenants

To fund the acquisitions of development studios – Cyanide SA, Kylotonn SAS, Eko Software SAS and Spiders SAS – and development costs in its Publishing business, Bigben Interactive took out several loans repayable over 5 years, which were transferred to its NACON SA through the aforementioned spin-off. Those loans feature the following covenants:

covenants	valeur cible	statut
Ratio de couverture des frais financiers (EBITDA / Frais financiers)	**> 6**	Respecté
Ratio de levier net (Dettes financières nettes / EBITDA)	**< 2**	Respecté

All covenants were complied with at 31 March 2020.

Note 27 - Finance lease liabilities at 31 March 2020

(in thousands of euros)	Air conditioning in the building on rue Orfila	Vehicles	Total
LEASE VALUE	16	269	**285**
ORIGINAL VALUE	15	264	**279**
LEASE PAYMENTS MADE			
Previous total	1	98	**99**
Current year	3	35	**38**
LEASE PAYMENTS TO BE MADE			
Less than 1 year	4	61	**65**
Between 1 and 5 years	8	75	**83**
More than 5 years	-	-	**-**
Total	**12**	**136**	**148**
RESIDUAL VALUE	-	3	**3**
EXPENSES	2	32	**34**

Note 28 - Bonus shares

- Bonus share plan:

  - The 2008, 2010, 2011 and 2016 bonus share plans have been completed (Bigben Interactive shares awarded to NACON SA employees).

  - On 3 September 2018, Bigben Interactive SA's Board of Directors awarded 166,995 bonus shares to employees and corporate officers of NACON group entities. The vesting of those shares after a 1-year period was subject to an ongoing presence condition and a condition related to achieving a predetermined level of recurring operating income. Since all of the NACON group's entities met their performance condition in part or in full, 150,616 2018 bonus shares vested in the NACON group's beneficiaries.

  - On 26 November 2018, Bigben Interactive's Board of Directors awarded 19,799 bonus shares to certain key staff members of the newly acquired studios. The vesting of those shares after a 1-year period was subject to an ongoing presence condition. Since the presence condition applicable to the employees concerned was met, the 19,799 bonus shares vested in those employees on 26 September 2019.

  - On 4 September 2019, the Board of Directors awarded 221,822 bonus shares to employees and corporate officers of NACON group entities. The vesting of those shares after a 1-year period is again subject to an ongoing presence condition and a performance condition related to achieving a predetermined level of recurring operating income. The performance conditions of the 2019 bonus share plan were fully or partly met by all NACON group entities at 31 March 2020. The bonus shares will vest in the employees on 4 September 2020 subject to a presence condition. As a result, the 185,508 shares, based on the workforce at 31 March 2020, represent the maximum number of shares that could be awarded on 4 September 2020.

Date of award (Board of Directors meeting)	31/08/2016	31/08/2017	03/09/2018	26/11/2018	04/09/2019
Date of Shareholders' General Meeting of Bigben Interactive, NACON's parent company	22/07/2016	21/07/2017	20/07/2018	20/07/2018	19/07/2019
Number of bonus shares initially awarded	69,300	85,710	166,995	19,799	221,822
Number of shares vested	67,850	86,360	150,616	19,799	N/A
Number of shares potentially capable of being awarded at 31 March 2020	-	N/A	N/A	N/A	185,508
Bonus share award date	31/08/2016	31/08/2017	03/09/2018	26/11/2018	04/09/2019
Vesting date	31/08/2017	31/08/2018	03/09/2019	26/11/2019	04/09/2020
End of the lock-up period	31/08/2019	31/08/2020	03/09/2021	26/11/2021	04/09/2022
Share price on the date the plan was announced	5.05	9.72	10.62	7.72	12.0
Share price on the vesting date	9.79	10.52	11.8	14.9	N/A

Note 29- Executive remuneration

- Remuneration of the Executive Committee

Total gross remuneration paid to all members of the Company's Executive Committee amounted to €298 thousand with respect to the 2019/20 financial year.

Remuneration awarded to members of management bodies in respect of their roles as corporate officers

in thousands of euros	Short-term benefits	Share-based payments	Termination benefits
at 31 March 2020	298	-	-

- **Note 30 - Related-party transactions – ANC regulation 2010.02**

Since 4 March 2020, after which NACON SA was no longer wholly owned by its parent company Bigben Interactive SA, it has had to detail transactions with related parties in the Bigben Interactive group:

From 1 October 2019, amounts have been recharged between certain Bigben group entities, particularly Bigben Interactive SA (the Bigben group's parent company) and entities in the NACON sub-group in the manner described below. These recharging agreements have been formed on an arm's-length basis.

The main intragroup flows have consisted of:

Within the NACON group:

- Development costs of Group studios invoiced to NACON SA: each studio develops games, generally at a cost of several million euros per game divided into milestone payments throughout the development period (usually two years). These milestone payments are made by NACON SA to the studios.

- Accessories supplied by NACON SA to NACON HK Ltd: NACON HK Ltd negotiates prices with the Group's Chinese manufacturing sub-contractors, monitors production from a "quality assurance" standpoint, and is responsible for logistics and for shipping the products to the Lauwin Planque logistics platform for NACON SA. NACON HK Ltd bills NACON SA for these services. NACON SA's European distribution subsidiaries then source the products from NACON SA.

With the Bigben Interactive group (parent company):

- Logistics services (storage, order preparation and shipment) provided by the Lauwin Planque logistics platform owned by Bigben Interactive SA are billed to NACON SA and its subsidiaries at a rate of 2.5% of gross revenue before any price reduction or discount, excluding product taxes and excluding NACON SA's sales of digital video games. This agreement has been entered into on an arm's length basis, particularly as regards the fees paid for the services, which are in line with those practised by external service providers;

- To a lesser extent, the supply of:
    - Audio products by Bigben Interactive SA to certain NACON SA subsidiaries[34] which continue to make limited sales of Bigben Group products in addition to NACON's gaming products; the Audio products concerned are Bluetooth speakers, sound bars, etc.;
    - The supply of Mobile products by Bigben Connected SAS to those same NACON SA subsidiaries: the Mobile products concerned are mobile phone accessories (cables, protective cases and covers, etc.);
    - For those distribution subsidiaries, these sales in 2019/20 amounted to €6.1 million, equal to 4.7% of the NACON group's annual revenue.

- Monthly cross-invoicing of administrative services provided by Bigben Interactive SA and NACON SA, amounting to €23,800 in favour of Bigben Interactive SA and €48,800 in favour of NACON SA (a net amount of €25,000 per month in favour of NACON SA);

- Rent for offices and shared space made available by Bigben Interactive SA to NACON SA within its premises, amounting to €0.2 million per year; this agreement has been entered into on an arm's length basis;

- A cash management agreement between Bigben Interactive and NACON, enabling them to carry out cash transactions between each other as permitted under the provisions of Article

[34] Prior to the spin-off in October 2019 from Bigben Interactive to NACON, the Bigben Interactive Italia, Bigben Interactive Belgium, Bigben Interactive GmbH and Games.fr subsidiaries generated less than €2 million of Audio and Mobile revenue. At the time of the spin-off in October 2019, it was decided not to split out these activities and create a second local subsidiary for the Audio/Telco business, which would not have had the critical mass required to operate on a stand-alone basis. These revenues come under the "Other" category of NACON's revenue.

L.511-7, I-3 of the French Monetary and Financial Code. Each company may grant the other advances at market interest rates.

Note 31- Average number of employees in the period

Salaried staff members	31 March 2020	Spin-off 01/10/19
Managers	65	60
Supervisory staff	14	13
Employees	18	16
Total	**97**	**89**

NACON SA had only been in existence for 6 months at the accounts closing date and its staff was not transferred to it until the spin-off from Bigben Interactive on 31 October 2019, with retroactive effect for accounting and tax purposes from 1 October 2019. As a result, the average number of staff members is calculated over the current financial year.

Note 32 – Tax consolidation agreement

Games.fr, which joined Bigben Interactive's tax consolidation group on 1 April 1999 and was previously wholly owned by Bigben Interactive SA, was transferred to NACON SA as part of the spin-off of Bigben Interactive SA's Gaming division to NACON SA on 31 October 2019, with retroactive effect for accounting and tax purposes from 1 October 2019. That subsidiary then automatically left Bigben Interactive's tax consolidation group when NACON SA's IPO took place on 4 March 2020, since the Bigben Interactive group's indirect stake in it had fallen below 95%.

At 31 March 2020, NACON SA's entities were not part of any tax consolidation group.

Table of subsidiaries and associates

	Share capital	Equity other than share capital	Percentage of share capital held (%)	Carrying amount of shares held		Loans and advances granted	Amount of guarantees and commitments provided for the	Ex-VAT revenue in the most recent financial year	Income or loss in the most recent financial year	Dividends received during the financial year
				Gross	Net					
Subsidiaries (more than 50%-owned) in thousands of euros										
Games.fr SAS	1,000	551	100%	2,849	1,549	-	-	3,583	87	-
Bigben Interactive Belgique SA	300	813	100%	2,897	2,897	-	-	7,464	165	-
NACON HK Ltd – Hong-Kong	3,781	420	100%	117	117	-	-	16,627	1,795	1,372
Bigben Interactive GmbH – Germany	500	856	100%	500	500		-	18,029	388	-
Bigben Interactive Italy	100	1,310	100%	100	100	-	-	7,030	1,517	-
Kylotonn	405	-353	100%	2,787	2,787	-	-	7,495	1,183	-
Cyanide	435	7,419	100%	22,874	22,874	-	-	5,081	23	-
Eko Software	65	888	100%	9,796	7,296	-	-	2,989	823	-
NACON USA	458	0	100%	458	458			0	-114	
Spiders	10	2,010	100%	6,400	6,400			8,230	3,108	
Associates (25%- to 50%-owned)										
Bigben Interactive US	89	-1	50%	37	37	-	-	23	-2	-
Lunar	20	471	43.15%	180	180			794	217	

18.1.2 Change of accounting reference date

See the annual consolidated financial statements presented in section 18.1.6.

18.1.3 Accounting standards

See the annual consolidated financial statements presented in section 18.1.6.

18.1.4 Change of accounting standards

Not applicable.

18.1.5 French GAAP financial reporting

See the annual statutory financial statements presented in section 18.1.1.

18.1.6 Consolidated financial statements

1 CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 AND COMPARISON WITH THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1.1 STATEMENT OF FINANCIAL POSITION

in thousands of euros	Notes	31 March 2020	31 March 2019
Goodwill	1	29,072	23,454
Right-of-use assets		3,512	
Other intangible assets	2	68,154	52,139
Property, plant and equipment	3	1,006	950
Shares in associates	4	43	44
Other financial assets	5	1,073	514
Deferred tax assets	6	2,897	3,269
Non-current assets		**105,758**	**80,370**
Inventories	7	27,417	20,449
Trade receivables	8	39,529	32,970
Other receivables	9	11,763	6,787
Current tax assets		4,137	1,096
Cash and cash equivalents	10	110,929	6,769
Current assets		**193,775**	**68,071**
TOTAL ASSETS		**299,533**	**148,441**
Share capital		84,909	
Share premiums		73,679	
Consolidated reserves		13,884	56,827
Net income for the period		15,300	10,706
Exchange differences		111	10
Equity attributable to equity holders of the parent		**187,883**	**67,544**
Non-controlling interests		(262)	
Total equity	16	**187,621**	**67,544**
Long-term provisions	14	659	542
Long-term financial liabilities	12	50,312	32,236
Long-term lease liabilities		1,991	
Other non-current liabilities		0	
Deferred tax liabilities	13	118	76
Non-current liabilities		**53,081**	**32,855**
Short-term provisions	14	530	530
Short-term financial liabilities	12	17,828	12,717
Short-term lease liabilities		1,545	
Trade payables		19,570	18,598
Other payables	15	17,889	15,703
Current tax liabilities		1,468	494
Current liabilities		**58,831**	**48,042**
Total equity and liabilities		**299,533**	**148,441**

1.2 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in thousands of euros)	Notes	2019/20	2018/19
Revenue	17	**129,427**	**113,101**
Purchases consumed	18	(50,377)	(50,691)
Gross profit		**79,050**	**62,410**
Gross margin (% of revenue)		***61.1%***	***55.2%***
Other operating revenue	19	705	546
Other purchases and external expenses	20	(19,272)	(18,319)
Taxes other than income tax		(702)	(899)
Personnel costs		(10,985)	(9,834)
Other operating expenses		(436)	(544)
Gains or losses on disposals of non-current assets			
EBITDA		**48,361**	**33,359**
EBITDA margin (% of revenue)		***37.4%***	***29.5%***
Depreciation and amortisation of non-current assets		(25,741)	(20,817)
Recurring operating income		**22,620**	**12,542**
Recurring operating margin (% of revenue)		***17.5%***	***11.1%***
Bonus share and stock-option plans	21	(2,038)	(1,321)
Other non-recurring operating items	22	0	2,243
Income from associates	23	(1)	(87)
Operating income		**20,580**	**13,377**
Net financial income/expense	24	**(619)**	**(383)**
Pre-tax income		**19,961**	**12,995**
Income tax	25	(4,705)	(2,289)
Net income for the period		**15,256**	**10,706**
Other comprehensive income		101	12
Comprehensive income for the period		**15,357**	**10,718**
Net income for the period		**15,256**	**10,706**
Attributable to non-controlling interests		(44)	
Net income attributable to equity holders of the parent		**15,300**	**10,706**

Earnings per share

Basic earnings per share (in euros)	27	€0.22	
Weighted average number of shares		*67,980,575*	
Net income attributable to owners of the parent		*15,256,100*	
Diluted earnings per share (in euros)	27	€0.22	
Average number of shares after dilution		*67,980,575*	
Net income attributable to owners of the parent		*15,256,100*	

Transition from recurring operating income to EBITDA

(in thousands of euros)	2019/20	2018/19
Recurring operating income	**22,620**	**12,542**
Depreciation and amortisation of non-current assets	25,741	20,817
EBITDA	**48,361**	**33,359**
EBITDA margin (% of revenue)	***37.4%***	***29.5%***

EBITDA is not an indicator defined by IFRSs and does not have a standard definition. See the definition of EBITDA and calculation method used by the NACON group in section 2.3.1.

1.3 CHANGE IN EQUITY

in thousands of euros	Notes	Number of shares	Share capital	Share premiums	Consolidated reserves		Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	**Total equity**
					Reserves and retained earnings	Exchange differences			
Combined equity at 31 March 2018					**43,562**	**(2)**	**43,560**	**0**	**43,560**
Net income for the financial year ended 31 March 2019					10,706		**10,706**		10,706
Other comprehensive income						12	**12**		12
Comprehensive income					**10,706**	**12**	**10,718**	**0**	**10,718**
Payment for the Cyanide acquisition in Bigben Interactive shares					9,373		**9,373**		9,373
Payment for the Eko acquisition in Bigben Interactive shares					2,572		**2,572**		2,572
Bigben Interactive bonus share plans					1,321		**1,321**		1,321
Combined equity at 31 March 2019					**67,533**	**10**	**67,544**	**0**	**67,544**
Net income for the financial year ended 31 March 2020					15,300		**15,300**	(44)	15,256
Other comprehensive income						101	**101**		101
Comprehensive income					**15,300**	**101**	**15,401**	**(44)**	**15,357**
Spin-off from Bigben Interactive*		65,097,988	65,098	516	**(65,614)**		**0**		0
Capital increase		19,810,931	19,811	73,163	10,000		**102,974**		102,974
Bigben Interactive bonus share plans					2,038		**2,038**		2,038
Liquidity agreement					(75)		**(75)**		(75)
Equity attributable to non-controlling interests							**0**	(218)	(218)
Consolidated equity at 31 March 2020		**84,908,919**	**84,909**	**73,679**	**29,183**	**111**	**187,883**	**(262)**	**187,621**

* This impact concerns the spin-off off of Bigben Interactive's Gaming business on 1 October 2019. The effect of that spin-off was already taken into account in the combined equity at the start of the period (except for net income for the period from 1 April to 30 September 2019), and the combined financial statements result from the carve-out of that Gaming business from the historical consolidated financial statements of the Bigben Interactive group. The net income of the Gaming business between 1 April 2019 and 30 September 2019 is included in the consolidated net income for the year ended 31 March 2020.

1.4 CASH FLOW STATEMENT

in thousands of euros	Notes	2019/20	2018/19	2017/18
Net cash flow from operating activities				
Net income for the period		**15,300**	**10,706**	**2,169**
Elimination of income and expenses that have no cash impact or are unrelated to operating activities				
• Income from associates		1	87	(57)
• Attributable to non-controlling interests		(44)		
• Additions to depreciation, amortisation and impairment		25,741	20,817	10,864
• Change in provisions		41	83	12
• Net gain or loss on disposals			(6)	(2)
• Net financial income/expense		944	706	478
• Other non-cash income and expense items		2,038	(922)	632
• Income tax expense		4,704	2,289	128
Funds from operations		**48,725**	**33,759**	**14,224**
Inventories		(6,968)	(314)	(2,313)
Trade receivables	8 - 9	(13,905)	(3,883)	(2,228)
Trade payables	15	(2,194)	(8,072)	3,379
Change in WCR		**(23,067)**	**(12,268)**	**(1,161)**
Cash from operating activities		**25,658**	**21,491**	**13,062**
Income tax paid		(3,046)	(1,643)	(998)
NET CASH FLOW FROM OPERATING ACTIVITIES		22,613	19,848	12,064
Cash flow from investing activities				
Purchases of intangible assets	2	(35,408)	(29,423)	(17,957)
Of which amortisation of right-of-use assets relating to premises included in development costs		622		
Purchases of net intangible assets		(34,786)	(29,423)	(17,957)
Purchases of property, plant and equipment	3	(477)	(484)	(241)
Disposals of property, plant and equipment and intangible assets		0	38	3
Purchases of financial assets	5	(549)	(10)	(430)
Disposals of non-current financial assets		3	87	2
Dividends received		0		
Disbursements relating to acquisitions of subsidiaries net of net cash acquired	1	(7,040)	(13,786)	
NET CASH FLOW FROM INVESTING ACTIVITIES		(42,849)	(43,579)	(18,624)
Cash flow from financing activities				
Capital increase		102,975		
Interest paid		(903)	(706)	(478)
Cash inflows from borrowings		36,093	28,940	13,801
Repayments of borrowings and debts		(11,476)	(5,798)	(822)
Other		(1)		
NET CASH FLOW FROM FINANCING ACTIVITIES	**12**	126,687	22,436	12,501
Impact of changes in exchange rates		**(18)**	**1**	
Net change in cash and cash equivalents		**106,432**	**(1,294)**	**5,941**
Cash and cash equivalents at start of period		2,289	3,583	(2,358)
Cash and cash equivalents at end of period	10	**108,721**	**2,289**	**3,583**

⇨ ***Accounting policy – Cash flow statement***

The cash flow statement is prepared using the indirect method, which shows the transition from income to cash flows from operating activities. Cash and cash equivalents at the start and end of the period, as mentioned in the cash flow statement, include cash, marketable securities and short-term bank facilities.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

2.1.1 Introduction

The financial statements will be submitted to shareholders for approval in the 30 July 2020 Shareholders' General Meeting and may therefore be amended (IAS 10.17).

The main information relating to the creation of the group consisting of NACON and its subsidiaries is contained in this introduction.

NACON SAS was incorporated on 18 July 2019 for a term expiring on 17 July 2118, and is registered with the Lille Métropole trade and companies register under number 852 538 461.

Its corporate purpose is the development, publishing, marketing and distribution of video game software in physical and digital form, along with the design, development, manufacturing and trading of video game accessories.

Bigben Interactive SA, NACON's parent company, has over the years developed a Gaming division in France and abroad, particularly through subsidiaries that it has created, and has also acquired video game studios, with the aim of becoming a major global player in the video games across all media and in related accessories.

The spin-off of that business into NACON took place, from the legal and economic point of view, through an internal restructuring of the Bigben Interactive group with the aim of optimising the operational and strategic organisation of its Gaming activities.

The spin-off involved a carve-out of the Gaming activities of Bigben Interactive SA, Bigben Interactive España and Bigben Interactive (HK) Ltd, with all the assets of other subsidiaries focusing mainly on the Gaming business being transferred in full to NACON SAS. However, in Spain and Hong Kong, where a large proportion of the business activities of Bigben Interactive SA's subsidiaries focus on the group's other divisions (Mobile and Audio), those subsidiaries underwent demergers. Assets relating to the Gaming business were transferred to companies newly created for that purpose, i.e. NACON Gaming España and NACON (HK) Ltd, before the 31 October 2019 spin-off from Bigben Interactive SA to NACON SAS, with retroactive effect from 1 October 2019.

After the spin-off, NACON owns, directly or indirectly, the shares of NACON (HK) Ltd, NACON Gaming España, Bigben Interactive Belgium SA, Bigben Interactive Nederland BV, Bigben Interactive GmbH (Germany), Bigben Interactive Italia Sprl, Games.fr SAS, Cyanide SAS, Amusement Cyanide Inc., Eko Software SAS, Kylotonn SAS, Spiders SAS, Lunar Great Wall Studios S.r.l. (RaceWard) and the joint venture Bigben Interactive USA Inc.

This reorganisation gave the Gaming division its own identity, by giving it the resources it needs to pursue its development, particularly as regards financing. To support future growth and continue its policy of selectively acquiring games studios, NACON is raised funds via a public offering and carried out an initial public offering (IPO) on Euronext's regulated market in Paris. The Bigben Interactive group retained control over NACON after its IPO.

As part of the planned IPO, combined financial statements have been prepared for the purpose of presenting historical information with respect to the three 12-month periods ended 31/03/2017, 31/03/2018 and 31/03/2019 (see the Registration Document relating to NACON's IPO). The combined financial statements were prepared as if the spin-off transactions had taken place on 1 April 2016, with the exception of those relating to subsidiaries or associates acquired after 1 April 2016, fully consolidated or accounted for under the equity method in the combined financial statements from the date on which the Bigben Interactive SA group acquired control or significant influence.

The spin-off of the Gaming activities in France, Hong Kong and Spain and the incorporation of the NACON group on 1 October 2019 through the transfer of Bigben Interactive SA's Gaming business to NACON SAS constituted an internal restructuring transaction in which transfers took place at their carrying amounts. In the circumstances, and given that IFRSs contain no specific provisions for transactions involving the combination of businesses under common control, NACON prepared its first consolidated financial statements for the year ending 31 March 2020 as a continuation of the combined financial statements already prepared, as if the spin-off transactions had been carried out at the start of the comparative period, i.e. on 1 April 2018.

2.1.2 Scope of consolidation

- **List of consolidated companies**

At 31 March 2020:

Company	Country	% owned	Method of consolidation
NACON SA	France	Parent company	
BIGBEN BELGIUM SA	Belgium	100.00%	Full consolidation
BIGBEN NEDERLAND BV	Netherlands	100.00%	Full consolidation
NACON HK Ltd	Hong Kong	100.00%	Full consolidation
Bigben Interactive GmbH	Germany	100.00%	Full consolidation
NACON GAMING ESPAÑA SL	Spain	100.00%	Full consolidation
BIGBEN ITALIA SRL	Italy	100.00%	Full consolidation
GAMES.FR SAS	France	100.00%	Full consolidation
KYLOTONN SAS	France	100.00%	Full consolidation
CYANIDE SAS	France	100.00%	Full consolidation
CYANIDE AMUSEMENT Inc	Canada	100.00%	Full consolidation
EKO SOFTWARE SAS	France	100.00%	Full consolidation
SPIDERS SAS	France	100.00%	Full consolidation
BIGBEN INTERACTIVE USA Inc*	United States	50.00%	Equity method
LUNAR GREAT WALL STUDIOS S.r.l.	Italy	43.15%	Full consolidation
NACON GAMING INC	United States	100.00%	Full consolidation
NACON PTY Ltd	Australia	100.00%	Full consolidation

*BIGBEN INTERACTIVE USA Inc is no longer operational and will soon be wound up.

At 31 March 2019:

Company	Country	% owned	Method of consolidation
NACON SAS	France	Parent company	
BIGBEN BELGIUM SA	Belgium	100.00%	Full consolidation
BIGBEN NEDERLAND BV	Netherlands	100.00%	Full consolidation
NACON HK Ltd	Hong Kong	100.00%	Full consolidation
Bigben Interactive GmbH	Germany	100.00%	Full consolidation
NACON GAMING ESPAÑA SL	Spain	100.00%	Full consolidation
BIGBEN ITALIA SRL	Italy	100.00%	Full consolidation
GAMES.FR SAS	France	100.00%	Full consolidation
KYLOTONN SAS	France	100.00%	Full consolidation
CYANIDE SAS	France	100.00%	Full consolidation
CYANIDE AMUSEMENT Inc	Canada	100.00%	Full consolidation
EKO SOFTWARE SAS	France	100.00%	Full consolidation
BIGBEN INTERACTIVE USA Inc.	United States	50.00%	Equity method

- **Change in scope**

See Note 2.2.2.

Spiders SAS entered the NACON group's scope of consolidated on 3 September 2019, when it was acquired.

The NACON group took control of Italian company Lunar Great Wall Studios S.r.l on 29 July 2019.

NACON Gaming Inc entered the NACON group's scope of consolidated on 11 February 2020, when it was created.

NACON Pty Ltd entered the NACON group's scope of consolidated on 17 March 2020, when it was created.

2.2 KEY EVENTS IN THE 2019/20 FINANCIAL YEAR

2.2.1 Commercial development

In 2019/20, annual consolidated revenue totalled €129.4 million, up 14.4% compared with 2018/19, due in particular to strong growth in the video games publishing business.

- **Video games:**

Publishing revenue growth was driven mainly by digital sales, which were up 140.7% year-on-year and accounted for 70.5% of total Video Games revenue in 2019/20 (versus 40.5% in 2018/19).

- **Gaming accessories:**

Gaming Accessories revenue fell because there were no major new accessory launches in 2019/20 apart from the *REVOLUTION Pro Controller 3* for PlayStation 4™.

2.2.2 Change in scope

- **Acquisition of a stake in Lunar Great Wall Studios S.r.l.**

On 29 July 2019, NACON acquired a 43.15% stake in Italian development studio Lunar Great Wall Studios S.r.l., which is better known under its trade name RaceWard. The consideration was paid in cash. The Bigben group has an option, which can be exercised at any time until 31 December 2021, to acquire an additional 10% stake in Lunar Great Wall Studios S.r.l., taking its stake in that company to 53.15%.

The studio is based in Milan and is expanding rapidly. It expects its team to have 30 members in the near future, veterans of the video game industry and all passionate about racing simulation games, particularly motorbike racing games.

The NACON group's purchase of a stake in this studio will strengthen its expertise in the Racing segment, which is one of the key pillars of its video-game portfolio, by developing synergies with its other studios.

The IFRS 10 approach is based on the ability to exert control. Given the absence of obstacles to the NACON group exerting control and the given the parties' respective commercial interests, the conclusion was that the NACON group has exercised control over Lunar Great Wall Studios since 29 July 2019 and that the company should be consolidated.

In accordance with IFRS 3 rules, €0.3 million of provisional goodwill was therefore recognised on the balance sheet at 31 March 2020.

	(in thousands of euros)
Intangible assets	0
Property, plant and equipment	56
Receivables	66
Deferred tax assets	457
Prepaid expenses	0
Cash and cash equivalents and miscellaneous	0
Provisions for contingencies	-11
Liabilities	-950
Total identifiable net assets acquired	**-383**
Proportion of identifiable net assets acquired	**-165**
Goodwill	345
Fair value of the consideration transferred	180

- **Acquisition of 100% of Spiders SAS**

On 3 September 2019, NACON acquired all of the capital and voting rights of development studio Spiders SAS for cash. Two earn-out payments relating to two development projects currently underway at Spiders may be made between 2022 and 2024. Those payments are capped and contingent on the achievement of a certain quality level and volume of future games sales.

Spiders was founded in 2008 by former developers of Monte Cristo™ who worked together on the Silverfall™ game. It has specialised for several years in action and role-playing games, and has major expertise in home consoles. It has developed six multiplatform games, including the well-known Mars: War Logs™, in which the action takes place on the planet Mars, Bound by Flame™, a medieval fantasy RPG(1) that has been a big commercial hit, and The Technomancer™, a cyberpunk RPG(1). Spiders' new game Greedfall™, hotly anticipated among the gamer community, was released in September 2019 and has a unique visual identity inspired by the Baroque art of Europe in the 17th Century.

The studio is based in Paris and has some 30 employees. It uses its own game engine called Silk Engine, which features all the latest functionalities and technologies, enabling it to design games for all platforms, both PC and console.

The deal gives NACON group outstanding expertise, which Spiders has built up over a number of productions with established developers who are known for the high quality of their games.

Spiders SAS has been consolidated in the Group's financial statements since September 2019.

€2.4 million of earn-out payments are included in the purchase price calculation. The estimated fair value of these earn-out payments at the acquisition date is based on the NACON group's best estimates regarding the fulfilment of the conditions for making those earn-out payments, and particularly take into account Spiders' historical sales figures as at the acquisition date and the Metacritic score for its most recent game Greedfall, which came out in September 2019, on the assumption that the next few games developed by Spiders will have at least the same success.

Since the earn-out payments that may be made by the NACON group could result in a variable amount of cash, the inclusion of these earn-out payments in the purchase price measured at fair value at the acquisition date gave rise, in accordance with IFRS 3 "Business combinations", to the recognition of a financial liability in the Group's financial statements. That financial liability will be measured at fair value at each closing date and any change to that fair value will be taken to income until it is settled, which will be in 2024 at the latest.

Impact of the Spiders SAS acquisition

In accordance with IFRS 3, the Group has a maximum of 12 months from the date of acquisition to finalise the accounting of business combinations. The measurement of the Spiders SAS assets acquired and liabilities assumed is as follows:

	(in thousands of euros)
Intangible assets	4,622
Property, plant and equipment	29
Financial assets	13
Deferred tax assets	781
Receivables	524
Cash and cash equivalents and miscellaneous	204
Prepaid expenses	10
Provisions for contingencies	-59
Debt	-131
Miscellaneous liabilities	-424
Fair value of outstanding performance obligations	-4,440
Total identifiable net assets acquired	**1,127**
Goodwill	5,273
Fair value of the consideration transferred	6,400

- **Incorporation of NACON Gaming Inc.**

Following the agreement with Poly (Plantronics Inc.) in the fourth quarter of 2019/20 regarding the acquisition of its gaming headset business and its premium RIG™ brand (see section 2.2.6), NACON created NACON Gaming Inc on 11 February 2020. The company is incorporated under the law of Delaware, where its head office is located, and it has a commercial establishment in Seattle (Washington state) and a logistics establishment in Santa Cruz (California). The company supports the Group's commercial activities in the United States in the video games and accessories sector. Its purpose is to grow sales of RIG™ headsets and other NACON group products in that territory.

- **Incorporation of NACON Pty Ltd**

Following the agreement with Poly (Plantronics Inc.) in the fourth quarter of 2019/20 regarding the acquisition of its gaming headset business and its premium RIG™ brand (see section 2.2.6), NACON created NACON Pty Ltd on 17 March 2020. The company supports the Group's commercial activities in the Australia in the video game accessories sector and its purpose is to grow sales of RIG™ headsets and other NACON group products in that territory.

2.2.3 Spin-off of Bigben Interactive SA's Gaming division to NACON SAS

Legal aspects

NACON (the **"Company"**) was incorporated on 18 July 2019 in the form of a simplified joint-stock corporation *(société par actions simplifiée)* with share capital of €10,000.

Bigben Interactive SA's Board of Directors, in its 4 September 2019 meeting, approved the principle of combining the assets and liabilities making up its Gaming division and spinning them off (the **"Spin-off"**) to NACON SAS, a wholly-owned subsidiary of Bigben Interactive SA.

Bigben Interactive's shareholders, in an extraordinary shareholders' meeting held on 31 October 2019, approved the completion of the spin-off transaction. The Company's sole shareholder also approved the Spin-off on 31 October 2019, with retroactive effect from 1 October 2019 in accordance with Article L. 236-4 of the French Commercial Code.

The value of the net assets transferred was estimated at €65,087,988 on that date. Through a decision by the Company's sole shareholder on 31 October 2019, NACON's share capital was increased by €65,087,988, taking it from €10,000 to €65,097,988, through the issue of 65,087,988 shares with par value of €1 each to Bigben Interactive, as payment for the spin-off from Bigben Interactive (transferor) to the Company (transferee).

Since the accounts closing was finalised subsequently at the time that the interim financial statements were approved on 25 November 2019, the actual net assets transferred as shown by both companies' statutory financial statements was €65,603,700. As a result and in accordance with the Spin-off Agreement, NACON offset the additional sum of €515,712 by recording it under share premiums as part of NACON's equity.

Operational aspects

The transaction, which took the form of a spin-off as described above, included the development studios acquired by the Group in the previous two years, dedicated distribution subsidiaries and contracts related to the business, along with all of the Gaming division's patents and intellectual property.

As a result of the Spin-off, NACON owns, directly or indirectly, shares in NACON (HK) Ltd, NACON Gaming España, Bigben Interactive Belgium SA, Bigben Interactive Nederland BV, Bigben Interactive GmbH (Germany), Bigben Interactive Italia Sprl, Games.fr SAS, Cyanide SAS, Amusement Cyanide Inc., Eko Software SAS, Kylotonn SAS, Spiders SAS, Lunar Great Wall Studios S.r.l. (RaceWard) and joint venture BBI USA Inc.

Since 31 October 2019, NACON SAS has been led by Alain Falc as Chairman, and then as Chairman/CEO since the Company became a public limited company *(société anonyme)* on 22 January 2020.

The Spin-off has clarified the Bigben group's organisation, creating a legal distinction between its three divisions, – Gaming on the one hand, and Mobile and Audio on the other – within two distinct operational business segments, i.e. the "Bigben - Audio / Telco" segment and the "NACON - Gaming" segment.

The creation of NACON has given the Gaming division the independence it needs, while enhancing its operational and strategic organisation.

Accounting aspects

In the absence of specific guidance in IFRSs relating to combinations of businesses under common control, NACON recognised the spun-off assets at their carrying amounts as stated in the consolidated financial statements of Bigben Interactive SA. For more details, see note 2.1.1 "Introduction".

2.2.4 NACON SA's initial public offering

By giving the Gaming division its own identity, Bigben Interactive gave it the resources it needs to develop more quickly, particularly as regards funding.

To support its subsidiary's future growth and enable it to continue its selective policy of acquiring games studios, Bigben Interactive SA looked at various options for its expansion and decided that an initial public offering for its NACON subsidiary was the best option to secure funding for its Gaming business.

The timetable of the Company's IPO was as follows:

- 22 January 2020: conversion of the Company into a public limited company *(société anonyme)* and appointment of the Company's main governing bodies.
- 29 January 2020: approval of the Company's Registration Document by the Autorité des Marchés Financiers (**"AMF"**) under number I.20-003.
- 19 February 2020: approval of the Prospectus by the AMF under number 20-047.
- 20 February 2020: publication of the press release announcing the start of the French public offering (**"FPO"**) and the International Offering (the **"IO"**) (together the **"Offering"**), publication of the Prospectus and publication by Euronext of the notice announcing the start of the Offering.
- 27-28 February 2020: End of the FPO and IO, setting of the Offering price, signature of the Placement Agreement and publication by Euronext of the notice announcing the result of the Offering.
- 3 March 2020: settlement-delivery of the FPO and the IO.
- 4 March 2020: first day on which the Company's shares were traded on Euronext's regulated market in Paris on a trading line entitled "NACON" and start of the stabilisation period.
- 26 March 2020: end of the stabilisation period.

On 4 March 2020, following the success of the Offering at a price of €5.50 per share, which was four times oversubscribed (€7.7 million of subscriptions to the FPO with the extension clause fully exercised, and the IO fully subscribed), the Company's Board of Directors officially noted the first listing of the Company's shares on Euronext's regulated market in Paris and voted to increase its capital by €18,181,819 by issuing 18,181,819 new shares with par value of €1 each, plus a total share premium of €81,818,185.50 (i.e. €4.50 per ordinary share). As a result, the share capital amounted to €83,279,807 on that date, divided into 83,279,807 ordinary shares with par value of €1 each, fully subscribed and fully paid-up.

After that transaction, the Company's market capitalisation was around €458 million based on the IPO price of €5.50. The free float represented 19.65% of the Company's share capital and Bigben Interactive SA held 78.17% of its capital.

In accordance with Article L. 225-135-1 of the French Commercial Code, and to stabilise the Company's share price in the context of its IPO, on 28 February 2020 the Company's Board of Directors granted to Louis Capital Markets, as stabilising agent, an over-allotment option allowing up to 1,818,181 additional new shares to be subscribed at the offering price of €5.50. That over-allotment option could be exercised until 27 March 2020.

The share price having remained stable, the stabilising agent informed the Company on 26 March 2020 that the stabilisation transactions had ended, stating that the Company's shares offered as part of the over-allotment transactions had been subscribed in an amount of €9 million. Following the partial exercise of the over-allotment option, the Company's Board of Directors decided to increase its capital by €1,629,112 by issuing 1,629,112 additional new shares at a price of €5.50, i.e. €1 par value and a €4.50 issue premium, representing subscriptions totalling €8,960,116 including the issue premium.

As a result, the total number of the Company's shares issued as part of its IPO amounted to 19,810,931, i.e. 23.33% of the Company's capital, taking the size of the issue to €109 million. The Company's share capital is now made up of 84,908,919 shares.

Bigben Interactive SA has therefore held 76.67% of the Company's capital since 26 March 2020 and still controls NACON SA following the transaction.

2.2.5 Ownership structure

- **Bigben Interactive capital increase following the vesting of bonus shares awarded in 2018**

On 3 September 2018, Bigben Interactive SA's Board of Directors awarded 166,995 bonus shares to employees and corporate officers of entities that had joined the NACON group. The vesting of those shares after a 1-year period was subject to an ongoing presence condition and a condition related to achieving a predetermined level of recurring operating income. Since all of the NACON group's entities met their performance condition in part or in full, 150,616 2018 bonus shares vested in the NACON group's beneficiaries.

As a result, on 4 September 2019, the Bigben group issued 150,616 new shares through the capitalisation of reserves.

On 26 November 2018, Bigben Interactive SA's Board of Directors awarded 19,799 bonus shares to certain key managers of the newly acquired studios. The vesting of those shares after a 1-year period was subject to an ongoing presence condition. The bonus shares were awarded definitively to the employees concerned on 26 September 2019 subject to a presence condition.

As a result, on 27 November 2019, the Bigben group issued 19,799 new shares through the capitalisation of reserves.

The NACON group's residual IFRS 2 expense for 2019/20 was €0.8 million, with a balancing entry under "Bigben Interactive bonus share plan" within the NACON group's equity.

- **Award of Bigben Interactive 2019 bonus shares**

On 4 September 2019, Bigben Interactive SA's Board of Directors awarded 221,822 bonus shares to employees and corporate officers of NACON group entities. The vesting of those shares after a 1-year period is again subject to an ongoing presence condition and a performance condition related to achieving a predetermined level of recurring operating income.

The NACON group's IFRS 2 expense for 2019/20 was €1.3 million, with a balancing entry under "Bigben Interactive bonus share plan" within the NACON group's equity.

- **Initial public offering of NACON SAS**

See section 2.2.4.

2.2.6 Other events

- **Acquisition of RIG™ Gaming headsets and the RIG™ premium brand from Plantronics Inc. ("Poly")**

On 5 February 2020, NACON announced an agreement with Plantronics Inc. ("Poly") regarding the acquisition of its gaming headsets business and the RIG™ premium brand. That acquisition was completed on 20 March 2020 after the usual prior conditions were met. The company analysed the acquisition with regard to IFRS 3. The acquisition cannot be regarded as the acquisition of a business. As a result, the company regards the acquisition as an acquisition of isolated assets.

NACON intends to continue and develop the RIG™ headsets business, particularly in the US market where the brand and sales of these specific products are particularly well established. The transaction should enable NACON to establish itself in the world's largest market for this kind of product and to market all of its Gaming products effectively.

After expanding into the US market, the deal should enable NACON to strengthen and increase its Gaming Accessories range significantly through the addition of RIG™ products, which complement its existing products very well and are acknowledged by gamers to be of high quality, but also to underpin and strengthen the NACON® brand's premium position in the market.

- **Covid-19 (coronavirus) crisis**

The NACON group has been affected by this global public health crisis in the following ways:

- Its Asian sources of supplies have been disrupted since early January 2020.
- Stores have closed because of lockdown measures imposed by the main European countries in March 2020.
- Measures have been taken to protect employees and third parties (remote working etc.).

In operational terms, support staff and development teams have been working remotely since mid-March 2020. Only a few staff members, whose work was limited or impossible to carry out remotely, have been put on furlough.

However, the financial impact of the crisis was positive in terms of earnings in the year ended 31 March 2020: although the impact on Gaming Accessories sales was negative, its effect on digital games sales was strongly positive during the lockdown period.

- **Changes in debt**

In 2019/20, NACON SA took out €35 million of new medium-term loans and made repayments on medium-term bank loans and finance leases according to their repayment schedules. All medium-term borrowings related to acquisitions of studios and the development of the Gaming business and arranged before 1 October 2019 were transferred to NACON SA at the time of the aforementioned spin-off.

However, since the Company raised €103 million of funds through its IPO (after IPO fees), it had a net cash position at 31 March 2020.

2.2.7 Events after the 31 March 2020 balance-sheet date

- **Further developments in the Covid-19 (coronavirus) crisis**

In NACON's view, as of May 2020, the Covid-19 crisis is no longer affecting accessories sales and is continuing to boost digital games sales.

The company is selling stock in a satisfactory manner and has even occasionally sold out of certain product lines.

Trade receivables at 31 March 2020 are being collected in accordance with agreed payment times.

The NACON group is not expecting the crisis to have negative repercussions on its sales and earnings in its 2020/21 financial year given the ongoing strong momentum of the video games industry.

2.3 ACCOUNTING POLICIES AND PRINCIPLES

2.3.1 Statement of compliance

As stated in section 2.1.2, the consolidated financial statements of NACON and its subsidiaries (the "Group") are prepared in accordance with IFRSs as endorsed by the European Union and applicable to the financial year ended 31 March 2020, compared with the combined financial statements for the financial year ended 31 March 2019 prepared according to the same accounting standards. The applicable standards are available on the European Commission website, at the following address:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

New standards, amendments and interpretations in force and applicable to accounting periods covered by the consolidated financial statements are detailed below.

- **Standards and interpretations newly applicable to the financial year ending 31 March 2020**

New IFRS texts	EU adoption date (periods starting on or after)	Main impacts
IFRS 16 "Leases"	01/01/2019	IFRS 16 leads to a more accurate representation of companies' assets and liabilities by abandoning the distinction, on the lessee's side, between operating leases and finance leases. It provides a new definition of a lease. For the lessee, IFRS 16 introduces a single model for recognising leases on the balance sheet. The lessee recognises a "right-of-use asset", which represents its right to use the underlying asset, and a lease liability that represents its obligation to make lease payments. The impact of adopting IFRS 16 is set out below.
IFRIC 23 "Uncertainty over Income Tax Treatments"	01/01/2019	This interpretation clarifies the application of IAS 12 "Income taxes" regarding recognition and measurement of a liability in the event of uncertainty (i.e. if it is unlikely that the tax authorities will accept the tax position). The impact of adopting IFRIC 23 is set out below.
"Prepayment Features with Negative Compensation" (amendments to IFRS 9)	01/01/2019	

- Other standards:

The application of other standards did not have any material impact on the group's financial statements.

- IFRIC 23:

The Company analysed its existing tax risks and took the view that there was no uncertainty about the treatment of income tax that required any recognition or measurement other than those presented in the interim combined financial statements.

- First-time adoption of IFRS 16:

The Group adopted IFRS 16 "Leases" on 1 April 2019. IFRS 16 introduces a single model to be used by lessees when recognising leases and replaces IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease". As a lessee, the Group now:

- recognises a "right-of-use asset relating to leases" on the asset side of the consolidated statement of financial position, representing its right to use the underlying asset, and a lease liability representing its obligation to make future lease payments,

- recognises an amortisation charge on the right-of-use asset relating to leases an interest expense on the associated lease liabilities, instead of the operating lease expenses previously incurred.

The Group has chosen to adopt the simplified retrospective approach. As a result, at 1 April 2019, the Group recognised a right-of-use asset relating to leases and a related lease liability in the same amount representing the present value of future lease payments to be made, taking into account enforceable lease terms and any renewal or termination options, without any restatement of previous periods.

The discount rates applied at the transition date are based on the Group's estimated marginal borrowing rate for each currency based on market information available at that date. Those discount rates were determined taking into account the average remaining lives of leases from the date of first-time adoption, i.e. 1 April 2019. The weighted average marginal borrowing rate at 1 April 2019 for all lease liabilities was 1%.

The Group also chose to use the two exemptions to capitalisation offered by IFRS 16 in relation to leases with a term of less than or equal to 12 months and/or leases of assets with an individual value of less than USD5,000 when new.

For certain types of underlying asset (including the vehicle fleet), the Group chose not to separate lease components from non-lease components, and to recognise the whole as a single lease component.

At 1 April 2019, the lease terms used to calculate lease liabilities were based on the lease end dates (the end of the three-year period for 3/6/9-year French leases) except where the lease has less than one year to run: in that case, the view was taken that the lease would be renewed based on the economic situation (no intention to terminate the leases concerned), and so the lease end date used to calculate the lease liability is the lease end date after first renewal.

Each entity's office leases represent the majority of total lease amounts under IFR 16.

The discount rate used is 1%, based on the financial terms obtained on the Group's most recently arranged medium-term bank borrowings.

As a result, the first-time adoption of IFRS 16 in the financial year ended 31 March 2020 had the following effects for the NACON group:

In the statement of profit or loss and other comprehensive income ("Income statement"):

- a €40 thousand negative impact on recurring operating income and a €24 thousand negative impact on net income.

EBITDA: positive impact of €1.6 million

In the statement of financial position ("Balance sheet"):

- the recognition of right-of-use assets relating to leases and the corresponding lease liabilities,
- the reclassification of rent-free periods as a deduction from the value of right-of-use assets relating to leases,
- the reclassification of lease payments made in advance as an increase in the value of right-of-use assets relating to leases.

The reconciliation of off-balance sheet commitments at 1 April 2019 with lease liabilities on the transaction date is as follows:

	in thousands of euros
Commitments made under operating leases at 31 March 2019	**4,231**
Effects related to short-term leases not recognised under lease liabilities at 1 April 2019	
Lease liabilities before discounting	**4,231**
Effect of discounting	(58)
Lease liabilities at 1 April 2019 after the first-time adoption of IFRS 16	**4,289**

Impact of the first-time adoption of IFRS 16 on the balance sheet

in thousands of euros	31 March 2019	Application of IFRS 16	31 March 2019
Goodwill	23,454		23,454
Right-of-use assets		4,289	4,289
Other intangible assets	52,139		52,139
Property, plant and equipment	950		950
Shares in associates	44		44
Other financial assets	514		514
Deferred tax assets	3,269		3,269
Non-current assets	**80,370**	**4,289**	**84,659**
Inventories	20,449		20,449
Trade receivables	32,970		32,970
Other receivables	6,787		6,787
Current tax assets	1,096		1,096
Cash and cash equivalents	6,769		6,769
Current assets	**68,071**	**0**	**68,071**
TOTAL ASSETS	**148,441**	**4,289**	**152,730**
Share capital			0
Consolidated reserves	56,827		56,827
Net income for the period	10,706		10,706
Exchange differences	10		10
Long-term provisions	542		542
Long-term financial liabilities	32,236		32,236
Long-term lease liabilities		2,393	2,393
Deferred tax liabilities	76		76
Non-current liabilities	**32,855**	**2,393**	**35,248**
Short-term provisions	530		530
Short-term financial liabilities	12,717		12,717
Short-term lease liabilities		1,896	1,896
Trade payables	18,598		18,598
Other payables	15,703		15,703
Current tax liabilities	494		494
Current liabilities	**48,042**	**1,896**	**49,938**
Total equity and liabilities	**148,441**	**4,289**	**152,730**

- **New texts adopted early in accounting periods starting on or after 1 April 2020**

New IFRS texts	EU adoption date (periods starting on or after)
Amendments to IAS 1 and IAS 8 – Definition of Material	01/01/2020
Amendments to references to the conceptual framework in IFRS standards	01/01/2020
Definition of a business (amendment to IFRS 3)	01/01/2020

The Group has not opted for early adoption other standards and amendments that may be adopted early or that will be mandatory in 2020/21.

The Group does not expect their adoption to have a material impact on the consolidated financial statements.

- **Use of the alternative performance indicator EBITDA**

EBITDA (earnings before interest, taxes, depreciation and amortisation) is defined as recurring operating income before impairment, depreciation of property, plant and equipment and amortisation of intangible assets. It is equivalent to earnings before interest, taxes, depreciation, amortisation and provisions on non-current assets (but after additions to provisions on inventories and trade receivables). Since EBITDA is based on recurring operating income, it does not factor in IFRS 2 expenses relating to bonus shares and stock options or other non-recurring operating items, since they are excluded from recurring operating income.

The Group regards EBITDA as an alternative performance indicator.

EBITDA is one of the main indicators monitored by the Group when managing and assessing its operational performance, taking investment decisions, allocating resources and assessing the performance of senior managers.

The Group believes that this indicator is useful for people reading its financial statements because it gives them a measurement of its operating income/loss that excludes non-cash items such as impairment, depreciation and amortisation, providing information about the earnings of the Group's recurring commercial activities and cash flows and allowing investors to identify more effectively trends in its financial performance. EBITDA measures an organisation's ability to generate profits by selling products or services over a given period, without taking into account depreciation or amortisation practices, which can vary between countries.

EBITDA is not an indicator defined by IFRSs and does not have a standard definition. As a result, the method that the NACON group uses to calculate EBITDA may not be comparable to that used by other groups to calculate other measures with a similar name.

EBITDA calculation

(in thousands of euros)	2019/20	2018/19
Recurring operating income	**22,620**	**12,542**
Depreciation and amortisation of non-current assets	25,741	20,817
EBITDA	**48,361**	**33,359**
EBITDA margin (% of revenue)	***37.4%***	***29.5%***

- **Use of the financial indicator "gross profit"**

The Group calculates gross profit as the difference between revenue and purchases consumed in relation to Retail sales (Retail games and accessories).

2.3.2 Basis of preparation

The financial statements are presented in thousands of euros unless otherwise stated.

- **Use of estimates**

The preparation of financial statements according to IFRSs requires management to use estimates and assumptions that affect the amounts in the presented Group financial statements and information provided in the notes thereto.

Those estimates and assumptions are based on information and estimates known on the accounts closing date and may prove substantially different from actual figures.

In particular, for the periods covered by the consolidated financial statements, management re-examined its estimates regarding:

- the recoverable amount of goodwill in order to identify any impairment losses (Note 1)
- tax assets relating to unused tax loss carryforwards (Note 6)
- provisions (Note 14)
- the useful lives of game development costs (see below)

Game development costs are amortised over the games' expected lifetimes (currently between 1 and 3 years) using the diminishing balance method based on the associated expected sales, whether the game is sold physically or digitally, from its commercial release date. Under IAS 38, game amortisation periods vary according to market trends and sales prospects.
To take into account the digitalisation of the video game market, the increasing proportion of sales taking place on platforms and the related extension of games' lifespans, the development costs of new games released in the market from 1 April 2019 by NACON SA are currently amortised using the diminishing balance method over a period of three years.

2.3.3 Basis of measurement

- **Consolidation criteria**

Companies controlled by the Group are consolidated from the date on which the Group obtains control over them. Companies over which the Group has significant influence, but not control, are accounted for using the equity method.

The companies are consolidated on the basis of the annual financial statements for the financial year ended 31 March 2020, and adjusted as the case may be to harmonise them with the Group's accounting policies.

- **Business combinations**

Business combinations are recognised by applying the acquisition method on the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity in order to derive benefit from its activities. When assessing control, the Group takes into account potential voting rights that are currently exercisable when decisions relating to the relevant activities need to be taken.

The Group measures goodwill on the acquisition date as:

- the fair value of the consideration transferred; plus
- the amount recognised for any non-controlling interest in the acquired company; plus
- if the business combination takes place in stages, the fair value of any stake previously held in the acquired company; less
- the net amount, recognised at fair value, of identifiable assets acquired and liabilities assumed.

Where the difference is negative, costs relating to the acquisition, other than those related to the issue of debt or equity securities, which the Group bears as a result of a business combination, are recognised as expenses when incurred.

- **Non-controlling interests**

For each business combination, the Group chooses to measure all non-controlling interests in the acquired company either at fair value or as a proportion of the acquired company's identifiable net assets.

Changes to the percentage of equity securities held by the Group in a subsidiary that do not lead to a loss of control over that subsidiary are recognised as transactions with owners in their capacity as owners. Changes in non-controlling interests are determined on the basis of the relevant proportion of the subsidiary's net assets. No adjustment is made to goodwill and no gain or loss is recognised in profit or loss.

- **Subsidiaries**

A subsidiary is an entity controlled by the Group. Control exists where the company's relations with the entity expose it or entitle it to variable returns and where it has the ability to influence those returns because of the power it exerts over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control starts until the date control ends.

- **Associates**

Associates are entities in which the Group has significant influence over financial and operational policies, without having control. Significant influence is presumed where the Group owns 20-50% of an entity's voting rights.

The consolidated financial statements include the Group's interest in the total amount of profits and losses recognised by associates, using the equity method, from the date significant influence is first exercised until the date it ends.

Interests in the profits and losses of associates with operating activities that are an extension of the Group's activities are presented below recurring operating income, while interests in the profits and losses of associates whose operating activities are not an extension of the Group's activities are presented after pre-tax income.

- **Transactions within the Group**

All transactions between consolidated companies are eliminated, as are all profits and losses generated within the combined whole.

- **Translation of foreign companies' financial statements into euro**

The Group's presentation currency is the euro.

The functional currencies of the Group's foreign subsidiaries are their local currencies, in which most of their transactions are denominated.

- The assets and liabilities of Group companies whose functional currency is not the euro are translated into euro at the exchange rate in force on the accounts closing date.
- The revenues and expenses of these companies and their cash flows are translated at the average exchange rate for the quarter in which the transactions take place.
- Differences arising from foreign exchange are recognised directly under other comprehensive income, under a separate equity item.

- **Translation of transactions into foreign currencies**

Transactions denominated in foreign currencies are translated at the exchange rate in force on the date of the transaction.

At the end of the period, monetary assets and liabilities denominated in foreign currencies (excluding derivatives) are translated at the closing rate. The resulting exchange differences are recorded in the income statement.
Non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical exchange rate in force on the transaction date.

Derivative instruments are measured and recognised in the manner described in the note on financial instruments.

2.3.4 Accounting policies

Accounting policies are presented directly in the notes to which they relate, in order to facilitate understanding of the financial statements.

2.3.5 Group policy regarding financial risk management

The Group is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk.

The description of these financial risks, the policy and procedures for measuring and managing them and quantitative information relating to them are included directly in the notes relating to balance-sheet items (Note 8) and income-statement items (Notes 34, 35 and 36).

2.3.6 Segment reporting

NACON sells a wide range of video games and Gaming accessories that meet demand in its market.

As explained in section 2.2.3 above, as part of the Group's reorganisation and the spin-off of the Gaming business to form NACON, Bigben Interactive adjusted its business segments in 2019/20.

As part of the Group's reorganisation and the spin-off of the Gaming business to form NACON, the Gaming businesses of Bigben Interactive SA, Bigben Interactive Hong Kong Ltd and Bigben Interactive España were carved out and placed into entities specially created for that purpose. The Group's other subsidiaries were placed within the Gaming division and their shares were transferred to NACON SAS.

Given the highly integrated new organisation of the Gaming business, a large proportion of costs are shared between the video games and accessories businesses. The video games and accessories businesses share most of their customers. As a result, the Group only calculates recurring operating income at the Group level.

Games developed by the acquired studios Kylotonn, Cyanide, EKO and Spiders are marketed by all Group entities and therefore contribute to NACON's overall cash flow.

NACON has its own sales, marketing and finance functions.

Sales of games in digital form are invoiced exclusively from France.

The Group's distribution subsidiaries based outside France handle physical sales of all gaming products. The subsidiary based in Hong Kong mainly handles the development and procurement of accessories from manufacturing partners.

As a result, each NACON group subsidiary has a specific role in the Group's value chain.

Accordingly, the NACON group considers that it operates within a single operational business segment, "NACON Gaming", which includes the development, publishing and distribution of video games along with the design and distribution of accessories for games consoles and PCs. The video games and accessories businesses address the same market and have the same economic characteristics.

The information presented below is that is now used by the NACON group's chief operating decision maker for internal reporting purposes. The NACON group's chief operating decision maker within the meaning of IFRS 8 is a two-person team consisting of the NACON group's Chairman/CEO and COO.

- **Breakdown of revenue by product category**

in thousands of euros		12-month total		Contribution	
		2019/20	2018/19	2019/20	2018/19
Revenue		**129,427**	**113,101**	**100%**	**100%**
of which	*Gaming Accessories*	52,596	55,242	41%	49%
	Physical games	20,471	29,931	16%	26%
	Digital games	48,940	20,332	38%	18%
	Other	7,421	7,596	6%	7%

Given the way in which the distribution subsidiaries were carved out in the aforementioned spin-off from Bigben Interactive to NACON, the "NACON – Gaming" segment still includes a small amount of non-Gaming revenue, in the "Other" category.

- **Revenue by geographical zone**

in thousands of euros		12-month total		Contribution	
		2019/20	2018/19	2019/20	2018/19
Revenue		**129,427**	**113,101**	**100.0%**	**100.0%**
of which	*France*	27,419	34,503	21.2%	30.5%
	Export	102,008	78,597	78.8%	69.5%

The geographical breakdown is based on the location of invoiced customers.

2.4 Additional notes

2.4.1 Additional notes to the balance sheet

- **Note 1 – Goodwill**

Acquired entities in thousands of euros	BBI Belgique	Cyanide SA	Eko	Kylotonn	Spiders	RaceWard	TOTAL
Goodwill arising from transactions in the financial year ended 31 March 2020	**1,088**	**12,539**	**6,058**	**3,770**	**5,273**	**345**	**29,072**
Impairment loss							**0**
Discontinued operations							**0**
Goodwill arising from transactions in the financial year ended 31 March 2019 and previously	**1,088**	**12,539**	**6,058**	**3,770**			**23,454**

⇨ ***Accounting policy - Goodwill***

Goodwill is not amortised, in accordance with IFRS 3 "Business combinations" and IAS 36 "Impairment of assets". It is tested for impairment whenever evidence of a loss of value appears and at least once every year on the closing date. For those tests, goodwill is broken down by Cash Generating Units (CGUs), which are homogeneous units that together generate independent cash inflows. Given the high level of integration shown by its business, the Group has only one CGU (see above).

Details about the impairment testing of Cash Generating Units are provided below.
Goodwill is stated at cost, less cumulative impairment losses. Any impairment losses are taken to the income statement. Impairment losses cannot be reversed.

Description of transactions in the 2019/20 financial year:

The Group carried out the following transactions in 2019/20:

- on 29 July 2019, it acquired a 43.15% stake in Italian development studio Lunar Great Wall Studios S.r.l.;
- on 3 September 2019, it acquired 100% of the shares and voting rights in Spiders SAS.

RaceWard (Lunar Great Wall Studios S.r.l.)

The business combination took place on 29 July 2019, the date on which the Bigben group acquired a 43.15% stake in Italian development studio Lunar Great Wall Studios S.r.l., which is better known under its trade name RaceWard. The transaction amount was paid entirely in cash. The NACON group has an option, which can be exercised at any time until 31 December 2021, to acquire an additional 10% stake in Lunar Great Wall Studios S.r.l.

Spiders SAS

The business combination took place on 3 September 2019, when the NACON group acquired the shares in Spiders SAS. The purchase price was paid entirely in cash.

Two earn-out payments relating to two development projects currently underway at Spiders may be made, entirely in cash, between 2022 and 2024. Those payments are capped and contingent on the achievement of a certain quality level and volume of future games sales.

The details of goodwill calculations are presented in Note 2.2.2 "Change in scope".

Transactions that took place in 2018/19 that may affect the current period

The Group carried out the following transactions in 2018/19:

- on 20 June 2018, it acquired 100% of the shares and voting rights in Cyanide SA and its Canadian subsidiary Amusement Cyanide Inc,
- on 1 September 2018, it acquired control over Kylotonn,
- on 18 October 2018, it acquired 100% of the shares and voting rights in Eko Software SAS.

Cyanide SA

The business combination took place on 20 June 2018, when the NACON group acquired the shares in Cyanide SA.

To pay for the Cyanide shares acquired, 50.20% of the purchase price was paid in cash and 49.80% in shares (697,445 newly created Bigben shares). The new Bigben Interactive shares used to pay Cyanide SA shareholders were valued at the market price on the transaction date, i.e. €13.44 per share.

An €1,768 thousand earn-out payment based on the net income of Cyanide (and its subsidiaries) in the year ended 31 March 2019 was made, entirely in cash, in September 2019. In the interim financial statements for the six months ended 30 September 2018, a €3.5 million earn-out payment was included in the calculation of the consideration transferred. The estimate of its fair value on the acquisition date was based on the NACON group's best estimates of the fulfilment of conditions for making that earn-out payment, mainly taking into account estimates of actual full-year 2018/19 earnings and the most likely timetable over which Cyanide SA and its subsidiary would complete their projects as of the acquisition date. Since the liability was measured at fair value at the closing date on 31 March 2019 whereas the earn-out payment initially measured at €3.5 million was measured at €1.5 million based on the results of Cyanide SAS for the period ended 31 March 2019, and while waiting for the exact calculation of royalties receivable by third-party publishers in the first calendar quarter of 2019, the €2 million change in fair value was taken to income under "Other non-recurring operating items" in the consolidated comprehensive income statement for the period ended 31 March 2019. The €0.3 million difference between the earn-out payment as measured at 31 March 2019 (€1.5 million) and the €1.8 million eventually paid was recognised under "Other non-recurring operating items" in the consolidated comprehensive income statement for the six months ended 30 September 2020 and for the financial year ended 31 March 2020.

When accounting for the acquisition, the Group reviewed the measurement of assets acquired and liabilities assumed from Cyanide. The main fair value adjustments related to Cyanide's brands, with a direct impact on the value of intangible assets acquired.

Those brands were valued at €7.0 million using the discounted future cash flow method based on the business plan established by Cyanide SAS for each brand. The model takes into account the marketing of successive games under the same brand, the level of margins – in relation to which management had to show judgement – and the selection of a representative discount rate (15.90% at 30 September 2018), a perpetual growth rate (2%) and future tax rates as announced by the public authorities as of the acquisition date.

Other adjustments to the fair value of assets acquired and liabilities assumed were not material.

	(in thousands of euros)
Trademarks	7,016
Other intangible assets	14,989
Property, plant and equipment	96
Financial assets	103
Deferred tax assets	608
Receivables	3,360
Cash and cash equivalents and miscellaneous	1,416
Provisions for contingencies	-150
Debt	-2,587
Deferred tax liabilities	-436
Miscellaneous liabilities	-2,669
Fair value of performance obligations	-10,249
Total identifiable net assets acquired	**11,497**
Goodwill	12,539
Fair value of the consideration transferred	24,035

The goodwill determination was definitive at 30 September 2019.

Eko Software SAS

The business combination took place on 18 October 2018, when the NACON group acquired the shares in Eko Software SAS.

To pay for the Eko Software shares acquired, 64.60% of the purchase price was paid in cash and 35.40% in shares (295,575 newly created Bigben shares). The new Bigben Interactive shares used to pay Eko Software SAS shareholders were valued at the market price on the transaction date, i.e. €8.70 per share.

An earn-out payment based on the net income of Eko Software in the year ended 31 December 2018 was made, entirely in cash, in June 2019. Based on the annual earnings of Eko Software SAS in the period ended 31 September 2018, a €1.3 million earn-out payment was included in the purchase price calculation at 31 March 2019. Since that earn-out payment was paid in June 2019, the liability recognised under liabilities in the statement of financial position at 31 March 2019 was extinguished.

	(in thousands of euros)
Intangible assets	8
Property, plant and equipment	62
Financial assets	26
Deferred tax assets	234
Receivables	510
Cash and cash equivalents and miscellaneous	4,283
Provisions for contingencies	12
Debt	-138
Deferred tax liabilities	-1
Miscellaneous liabilities	-1,694
Total identifiable net assets acquired	**3,301**
Goodwill	6,058
Fair value of the consideration transferred	9,358

The goodwill determination was definitive at 31 March 2019.

Kylotonn SAS

The business combination was completed on 1 September 2018, the date on which the NACON group obtained control of Kylotonn SAS. On that date, the Group opted to recognise goodwill using the full goodwill method and to recognise early the liability arising from the undertaking to buy out non-controlling interests. It has fully consolidated the company since that date.

The consideration for the remaining shares was paid in cash during the second half of 2018/19.

	(in thousands of euros)
Intangible assets	-38
Property, plant and equipment	248
Financial assets	141
Deferred tax assets	822
Receivables	1,494
Cash and cash equivalents and miscellaneous	145
Prepaid expenses	73
Provisions for contingencies	-64
Debt	-1,045
Miscellaneous liabilities	-2,293
Total identifiable net assets acquired	**-516**
Goodwill	3,770
Remeasurement of previously held shares	496
Fair value of the consideration transferred	2,758

The goodwill determination was definitive at 31 March 2019.

Reconciliation of acquisition-related disbursements with cash flows in the year ended 31 March 2020:

Disbursements relating to acquisitions of subsidiaries net of net cash acquired	2019/20
Spiders SAS acquisition	4,000
Lunar Great Wall Studios S.r.l. acquisition	180
Earn-out payment relating to Cyanide SAS acquisition	1,768
Earn-out payment relating to Eko Software SAS acquisition	1,296
Net cash acquired	-204
Disbursements relating to acquisitions of subsidiaries net of net cash acquired	**7,040**

Goodwill impairment tests

The Group carries out an impairment test on its CGU annually on the closing date (31 March) and whenever evidence of a loss of value is identified.

At 31 March 2020, no impairment had been recognised.

Impairment test

Assumptions:

WACC	12.00%
Perpetual growth rate	2.0%

The WACC and the perpetual growth rate take into account the rapid development of the business sector in which the company operates.

Sensitivity test:

Carrying amount of the CGU*	**€141,687 thousand**

Reduction in EBITDA in year N+3 that would result in the CGU's recoverable value being equal to its carrying amount:	**EBITDA**	**-18.20%**
Reduction in EBITDA margin in year N+3 that would result in the CGU's recoverable value being equal to its carrying amount:	**EBITDA margin**	**-7.8 points**
Reduction in the perpetual growth rate that would result in the CGU's recoverable value being equal to its carrying amount:	**Perpetual growth rate**	**-9.0 points**
Increase in the discount rate (WACC) that would result in the CGU's recoverable value being equal to its carrying amount:	**WACC**	**+5.6 points**

*The carrying amount of the CGU corresponds to economic net assets factoring in a normal working capital requirement.

⇨ *Accounting policy - Impairment of non-current assets*

According to IAS 36 "Impairment of assets", an impairment loss is taken to income where recoverable value becomes lower than net carrying value.

The recoverable amount of non-current assets is the greater of fair value less costs to sell and value in use. The net carrying amounts of property, plant and equipment and intangible assets are tested as soon as evidence of a loss of value appears and at least once per year for assets with an indefinite useful life (goodwill and trademarks).

For these tests, assets are grouped into cash-generating units (CGUs). CGUs are consistent groups of assets whose continued use generates cash inflows that are largely independent of cash inflows generated by other groups of assets.
Given the highly integrated new organisation of the Gaming business, a large proportion of costs are shared between the Video Games and Gaming Accessories businesses. The Video Games and Gaming Accessories businesses may share customers. As a result, the Group does not calculate recurring operating income by business line.

Games developed by acquired studios are marketed by all Group entities and in particular by NACON SA for digital sales to platforms and console manufacturers, and therefore contribute to the Group's overall cash flow. The creative direction is defined and worked on by the Group's Executive Management in co-operation with the studios.

As a result, only one CGU has been identified within the NACON group's sole operating segment: the goodwill arising from acquisitions of studios and from the NACON group's other entities have been allocated to that sole CGU.

The value in use of that CGU is determined with reference to future cash flows after tax and discounted to present value. The discount rate is determined at each closing date on the basis of the cost of capital specific to the Group.

Cash flow figures are those expected over a three-year period. They are based on the budget for year N+1, prepared by operating entities and validated by the Group's Executive Management. Cash flows for subsequent years (N+2 and N+3) are estimated by applying a growth rate, based on management forecasts. Beyond that, cash flows are extrapolated by applying a perpetual growth rate.

Where the CGU's recoverable amount is lower than its net carrying amount, an impairment loss equal to the difference is recognised in income and allocated first to goodwill and then deducted from the carrying amount of the entity's other assets in proportion to the net carrying amount of each of the unit's assets.

Impairment tests carried out on the new organisation on 31 March 2019 and 31 March 2020 did not show any loss of value.

Note 2 – Other intangible assets

Intangible assets

in thousands of euros	31 March 2020	31 March 2019
Gross value	**134,845**	**87,997**
Amortisation	(62,574)	(35,859)
Impairment	(605)	0
Net value	**71,666**	**52,138**

Intangible assets

Gross value	Software, concessions and patents	Trademarks	Right-of-use assets	Game development costs	Other intangible assets	TOTAL
31 March 2018	**666**	**1,291**	**0**	**35,869**	**502**	**38,327**
Acquisition	43			30,098	41	**30,183**
Change in scope		7,071		24,667	31	**31,770**
Transfers				(12,282)		**(12,282)**
Disposals						**0**
Exchange difference						**0**
31 March 2019	**709**	**8,363**	**0**	**78,353**	**574**	**87,997**
Acquisition	1,302	1,562	0	32,838	90	**35,791**
Change in scope	80			5,919		**5,998**
IFRS 16			5,057			**5,057**
Disposals						**0**
Exchange difference						**0**
31 March 2020	**2,091**	**9,925**	**5,057**	**117,109**	**664**	**134,845**
Amortisation	Software, concessions and patents	Trademarks	Right-of-use assets	Game development costs	Other intangible assets	**TOTAL**
31 March 2018	**(488)**	**(228)**		**(15,373)**	**(424)**	**(16,512)**
Additions	(89)			(20,448)	(47)	**(20,585)**
Change in scope	(84)			(10,928)	(31)	**(11,043)**
Transfers				12,282		**12,282**
Disposals						**0**
Exchange difference						**0**
31 March 2019	**(661)**	**(228)**		**(34,468)**	**(502)**	**(35,859)**
Additions	(1,163)	(0)	0	(18,746)	(21)	**(19,930)**
Change in scope	(79)			(5,767)		**(5,846)**
IFRS 16			(1,545)			**(1,545)**
Disposals						**0**
Exchange difference						**0**
31 March 2020	**(1,903)**	**(228)**	**(1,545)**	**(58,980)**	**(523)**	**(63,179)**
Net value	**188**	**9,696**	**3,512**	**58,129**	**141**	**71,666**

At 31 March 2020, the "Trademarks" item mainly consisted of trademarks owned by the development studio Cyanide and the RIG™ trademark following the acquisition of Cyanide in the year ended 31 March 2019 (see Note 1) and the acquisition of RIG™ assets from Poly (see Note 2.2.6) in the year ended 31 March 2020.

The "Game development costs" item represents expenses incurred in developing games on the market or currently being developed and with the prospect of being launched in the market. The video game tax credits (CIJV) received by the Group's development studios are recognised as a deduction from development costs.

⇨ ***Accounting policy – Other intangible assets***

Trademarks are not amortised. They do not undergo individual impairment tests but are combined with all of the CGU's goodwill and assets as part of an annual impairment test.

Right-of-use assets are amortised over the lease term used to calculate the related lease liability.

Acquired software is capitalised and amortised over a useful life of 3 years. Expenditure on internally generated brands is expensed when incurred.
Subsequent expenditure on intangible assets is capitalised if and only if it increases the future economic benefits associated with the corresponding asset. Other expenditure is recognised as an expense.

Research expenditure on acquiring scientific or technical understanding and knowledge is expensed when incurred.

Development activities imply the existence of a plan or a model to make products and new or substantially improved processes. The Group's development expenditure is capitalised if and only if costs can be measured reliably and the Group can show the technical and commercial viability of the product or process, the existence of probable future economic benefits and its intention and sufficient resources to complete the development and use or sell the asset.

Recognised development costs mainly relate to the cost of developing games on the market or currently being developed and with the prospect of being launched in the market. Capitalised development costs, less any related tax credits, are recognised at cost less accumulated amortisation and less any impairment losses. At the end of each financial year or wherever indicators of a loss of value appear, management estimates forecast revenue and margins for each game. Where those cash flows are lower than the net carrying amount of the games, impairment is applied.

Game development costs are amortised over the games' expected lifetimes (currently between 1 and 3 years) using the diminishing balance method based on the associated expected sales, whether the game is sold physically or digitally, from its commercial release date. Contrary to the presumption under IAS 38, the rate at which revenue is generated from the games publishing business is an appropriate basis to assess the consumption of economic benefits associated with games because the revenue resulting from the commercial exploitation of the games and the use of intangible assets are very closely correlated. The rights associated with games no longer have any value when they are no longer being commercially exploited. Game amortisation periods vary according to market trends and sales prospects. To take into account the digitalisation of the video game market and the related extension of period over which economic benefits will be obtained, the amortisation method has changed from year to year.

Note 3 - Property, plant and equipment

in thousands of euros	2019/20	2018/19
Gross value	**4,084**	**3,402**
Depreciation	(3,078)	(2,452)
Impairment	0	0
Net value	**1,006**	**950**

Accounting policy – Property, plant and equipment

In accordance with IAS 16, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The gross value of property, plant and equipment corresponds to their purchase or production cost. They are not remeasured. Where the components of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property, plant and equipment, each depreciated over its specific useful life.

Depreciation is calculated using the straight-line method, based on purchase cost minus any residual value and any impairment from the date on which the asset is available for use.

Except in specific cases, residual values are zero. Depreciation periods are based on the estimated useful lives of the different categories of assets, of which the main ones are listed below:

Categories of technical installations	Depreciation method
Plant and equipment	Straight-line, between 5 and 8 years
Fixtures and fittings	Straight-line, between 4 and 10 years
Furniture, office equipment	Straight-line, between 3 and 10 years
Vehicles	Straight-line, between 1 and 3 years

Property, plant and equipment:

Gross value	Land	Buildings	Technical installations	TOTAL
31 March 2018	**45**	**583**	**1,064**	**1,691**
Acquisition	0	(15)	311	**296**
Change in scope			1,416	**1,416**
Transfers				**0**
Disposals				**0**
Exchange difference				**0**
31 March 2019	**45**	**568**	**2,790**	**3,402**
Acquisition	0	0	407	**407**
Change in scope			275	**275**
Transfers				**0**
Disposals				**0**
Exchange difference				**0**
31 March 2020	**45**	**568**	**3,472**	**4,084**

Depreciation	Land	Buildings	Technical installations	TOTAL
31 March 2018	**0**	**(581)**	**(748)**	**(1,329)**
Additions	0	15	(232)	**(217)**
Change in scope			(906)	**(906)**
Transfers				**0**
Reversals				**0**
Exchange difference				**0**
31 March 2019	**0**	**(566)**	**(1,886)**	**(2,452)**
Additions	0	0	(418)	**(418)**
Change in scope			(208)	**(208)**
Transfers				**0**
Reversals				**0**
Exchange difference				**0**
31 March 2020	**0**	**(566)**	**(2,512)**	**(3,078)**
Net value	**45**	**1**	**960**	**1,006**

Note 4 – Shares in associates

At 31 March 2020, this item included shares in Bigben Interactive USA, which is accounted for under the equity method. That company is not operational and is being wound up.

Note 5 – Other non-current financial assets

Net	Assets at fair value through profit and loss	Security deposits	Other securities	Other receivables	TOTAL
31 March 2018	**0**	**231**	**26**	**0**	**257**
Acquisition					**0**
Change in scope		252	12	5	**269**
Transfers					**0**
Disposals		(12)			**(12)**
Exchange difference					**0**
31 March 2019	**0**	**472**	**38**	**5**	**514**
Acquisition	0	546	0	0	**546**
Change in scope		13			**13**
Transfers					**0**
Disposals					**0**
Exchange difference					**0**
31 March 2020	**0**	**1,031**	**38**	**5**	**1,073**

Accounting policy – Financial assets

Non-derivative financial assets and liabilities

Financial assets and liabilities are presented as non-current except for those that have less than 12 months to maturity on the closing date, which are classified as "current assets", "cash equivalents" or "current liabilities" as the case may be.

Non-derivative financial assets include:

- *non-current financial assets,*
- *current financial assets representing operating receivables, debt securities or investment securities, and cash.*

Measurement and recognition of financial assets

A financial asset is measured at amortised cost if it meets the criteria relating to the business model and cash flow characteristics defined by IFRS 9 and if it is not designated as at fair value through profit or loss. It is initially measured at fair value plus directly connected transaction costs, with the exception of trade receivables without a significant financing component, which are initially measured at the transaction price under IFRS 15. Impairment is recognised in respect of financial assets to take account of any expected credit losses. For trade receivables and contract assets, credit losses are measured over the total life of the assets using the simplified approach under IFRS 9, on the basis of a provisioning schedule.

Note 6 - Deferred tax assets

Group total

in thousands of euros	2019/20	2018/19
Deferred tax assets relating to tax loss carryforwards	1,307	2,562
Deferred tax assets relating to timing differences	1,472	630
NET DEFERRED TAX ASSETS	**2,779**	**3,192**

Details by entity

in thousands of euros	1 April 2019	Recognised	Used	31 March 2020
NACON SA	1,018		(1,018)	0
Cyanide SAS	1,222		(116)	1,106
Bigben Interactive GmbH	38		(38)	0
Kylotonn SAS	284		(109)	175
NACON Gaming Inc.		26		26
TOTAL TAX LOSS CARRYFORWARDS	**2,562**	**26**	**(1,281)**	**1,307**

Given the short- and medium-term earnings prospects of the entities concerned, all tax losses (which can be carried forward indefinitely) have been recognised.

See also Note 1 concerning deferred tax assets related to the acquisitions of Cyanide, Eko Software and Kylotonn.

⇨ ***Accounting policy – Tax***

Income tax includes current tax and deferred tax.

Tax expense and income are recognised in the income statement except where they relate to items recognised directly in equity, in which case they are also recognised in equity.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amount of assets and liabilities and their tax basis. The following do not give rise to the recognition of deferred tax: (i) initial recognition of goodwill and (ii) recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit.

The measurement of deferred tax takes into account known changes in tax rates (and in tax regulations) that have been adopted or materially adopted at the closing date.

Deferred tax assets are recognised when they can be offset against deferred tax liabilities or tax loss carryforwards, if it is likely that future taxable profits will be available against which those tax assets can be offset. The carrying amount of deferred tax assets is reviewed at each closing date.

In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

Note 7 – Inventories

in thousands of euros	Gaming Accessories	Video Games	Other	Total at 31 March 2020	31 March 2019
Gross value	**24,014**	**14,266**	**912**	**39,191**	**31,306**
of which physical inventories	**22,567**	**14,266**	**912**	**37,744**	**29,528**
of which goods in transit	**1,447**			**1,447**	**1,778**
Impairment loss	(4,888)	(6,878)	(8)	(11,774)	(10,858)
Net value	**19,126**	**7,388**	**903**	**27,417**	**20,449**

Goods held in inventory are made by third-party factories according to strict specifications provided by NACON. Factories undergo quality audits before production begins. Purchases of raw materials are mainly handled by those factories, except for certain critical components such as Sony ICs (security chips) for controllers and the environmentally friendly packaging that NACON buys from its partner manufacturers in order to ensure consistent quality.

⇨ *Accounting policy – Inventories*

In accordance with IAS 2 "Inventories", inventories are measured at the lower of cost and net realisable value. The cost of the inventories of each product line (accessory or game) is determined using the weighted average cost method. In accordance with IAS 2 "Inventories", that cost takes into account production costs and incidental, logistics and transport expenses incurred to bring inventories to their present location. For inventories of physical games released up to 31 March 2019, the amount took into account the amortisation of each game's development costs in proportion to the percentage of total sales coming from physical sales. For new games released from 1 April 2019, given that most sales take place digitally and given the limited production of physical copies of those games, no proportion of the cost of developing those new games was deducted from the related inventories. The cost is net of discounts and deferred payment terms obtained from suppliers.

Borrowing costs are not included in the cost of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less estimated completion costs and the estimated costs necessary to realise the sale. At each closing date, the values of products held in inventory are reviewed based on their sales prospects and their age.

Impairment is recognised on products held in inventory in the following way:

- *After-sales service inventories are written down in full.*
- *At each closing date, the values of products held in inventory are reviewed by comparing their average selling price (in the last 12 months) with their weighted average cost, and impairment is recognised as appropriate.*
- *Management recognises additional impairment on specific product lines based on sales prospects.*
- *In addition to these approaches, additional impairment is recognised based on the age of the products held in inventory.*

Note 8 – Trade receivables

in thousands of euros	31 March 2020	31 March 2019
Trade receivables and notes	40,057	33,492
Impairment losses	(528)	(522)
TOTAL TRADE RECEIVABLES	**39,529**	**32,970**

The temporary increase in receivables was due to very strong digital sales in the second half of March 2020 and to companies entering the scope of consolidation during the financial year.

NACON SAS uses factoring for most of its clients. The factoring agreement does not result in receivables being deconsolidated, and trade receivables factored but not settled by clients at 31 March 2020 were included in the "Trade receivables and notes" item. They amounted to €0.3 million (versus €3.4 million at 31 March 2019). Receivables are kept on the balance sheet in accordance with IFRS 9, because risks such as those relating to failure to pay and interest rates are not transferred to the factor.

▶ Client concentration:

The Group's largest client accounted for 11.8% of its consolidated revenue in 2019/20 (9.6% of its combined revenue in 2018/19).

▶ Trade receivables:

in thousands of euros	31 March 2020		31 March 2019	
Trade receivables not due	**18,426**	**46%**	**26,589**	**79%**
Trade receivables due	**21,631**	**54%**	**6,903**	**21%**
less than 30 days	2,555	12%	4,765	69%
less than 90 days	15,722	73%	778	11%
less than 1 year	3,165	15%	676	10%
more than 1 year	(222)	-1%	163	2%
doubtful receivables	411	2%	522	8%
Trade receivables and notes	**40,057**		**33,492**	

The NACON group does not have a material amount of receivables that show the risk of a loss of value.

NACON's customers are mainly international platforms and large distribution groups, which settle invoices rapidly. As a result, the Group analysed its customer portfolio by type, and saw that the risk of future losses was very limited. The application of IFRS 9 therefore had no impact on estimated provisions for trade receivables.

⇨ ***Counterparty risk***

Counterparty risk represents the risk of a financial loss if a client were to breach its contractual obligations. With respect to trade receivables, this risk is managed in particular through:

- *authorisation procedures for new client accounts, ensuring the solvency of all new clients,*
- *monthly client reporting, allowing the Group to analyse the average credit term granted to each client, as well as the percentage and age of amounts receivable from each client.*

In addition, the Group's main regular clients are major European retailers and digital game distribution platforms whose solvency is proven, and this limits credit risk for the Group. Other clients, including all export clients, are covered by credit insurance where the Group has exposure.

⇨ ***Accounting policy – Trade receivables***

Trade receivables and other receivables related to operating activities are recognised at amortised cost which, in most cases, corresponds to nominal value less impairment losses, which are recorded in a specific impairment account. Since receivables have a maturity of less than one year, they do not contain any significant financing component.

After the adoption of IFRS 9 from 1 April 2018, the Group uses the simplified approach to impairment of trade receivables based on the analysis of expected losses over a receivable's life.

Note 9 – Other receivables

in thousands of euros	31 March 2020	31 March 2019
Central and local government (excluding income tax)	5,675	3,347
Personnel	45	80
Credits receivable from suppliers	565	878
Prepaid expenses	1,250	1,393
Advances and downpayments on orders		473
Shareholder loans	3,637	
Miscellaneous receivables	590	617
TOTAL	**11,763**	**6,787**

Reconciliation of changes in trade receivables with cash flows in the year ended 31 March 2020:

	31 March 2020
Change in trade receivables on the balance sheet	14,575
Changes related to entries into the scope	-670
Net cash flows – trade receivables	**13,905**

Note 10 – Net cash and cash equivalents

in thousands of euros	31 March 2020	31 March 2019
Bank facilities	(2,209)	(4,480)
Marketable securities	750	1,000
Cash and cash equivalents	110,179	5,769
Net cash and cash equivalents	**108,721**	**2,289**

⇨ ***Accounting policy – Cash and cash equivalents***

Non-derivative financial assets and liabilities

Financial assets and liabilities are presented as non-current in Notes 5 and 12 except for those that have less than 12 months to maturity on the closing date, which are classified as "current assets" (Note 5), "cash equivalents" (this Note) or "current liabilities" (Note 12) as the case may be.

Cash and cash equivalents include cash in bank current accounts, units in money-market funds and term accounts that are readily convertible into known amounts of cash (i.e. in less than three months) and are subject to a non-material risk of changes in value in the event of an increase in interest rates.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are a component of cash for the purposes of the cash flow statement.

Note 11 – Employee benefits

Pension provisions

in thousands of euros	1 April 2019	Additions	Change in scope	31 March 2020
Provisions for pension and similar	542	47	70	659
TOTAL	**542**	**47**	**70**	**659**

in thousands of euros	1 April 2018	Additions	Change in scope	31 March 2019
Provisions for pension and similar	145	17	381	542
TOTAL	**145**	**17**	**381**	**542**

Actuarial gains and losses were not material in the period because the impacts resulting from assumptions used cancelled each other out.

The following assumptions are used to measure obligations:

Assumptions used	31 March 2020	31 March 2019
Discount rate	1.5%	1.4%
Turnover	7.0-8.0%	6.5-8.0%
Mortality rates	TF & TH 00.02	TF & TH 00.02
Rate of salary increase		
Managers	*2.0%*	*2.0%*
Supervisory staff	*2.0%*	*2.0%*

Remuneration in shares and similar (bonus share plans)

See Notes 22 and 27

⇨ ***Accounting policy – Pension and similar liabilities***

In addition to pension contributions required by legislation in force in countries in which the companies that employ them are based, the Group's employees receive additional pension contributions and post-employment benefits. The Group offers those benefits through either defined-contribution plans or defined-benefit plans.

Under defined-contribution plans, the Group is under no obligation other than to pay contributions. The corresponding charge, which reflects the payment of contributions, is expensed as incurred.

In accordance with IAS 19 "Employee benefits", as part of defined-benefit plans, pension liabilities and similar are measured using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to obtain the final obligation.

This final obligation is then discounted to present value. The calculations mainly take into account:

- *an assumed retirement age of 65 for French employees;*
- *a discount rate;*
- *an inflation rate;*
- *assumptions regarding wage increases and staff turnover.*

Those measurements are made every year for the main plans.

Actuarial gains and losses are generated through changes in assumptions or experience adjustments (differences between projected and actual figures) regarding obligations or plan assets are recognised under "Other comprehensive income". They are presented on the balance sheet under equity in the "Other comprehensive income" item, and cannot be recycled to profit or loss.

Note 12 – Long-term and short-term financial liabilities

in thousands of euros	TOTAL	Maturity date within 1 year	Maturity date from 1 to 5 years	Maturity date over 5 years
Total financial liabilities at 31 March 2020	**68,140**	**17,828**	**48,846**	**1,466**
Borrowings that were long-term at inception	65,874	15,562	48,846	1,466
Bank facilities	2,209	2,209		
Accrued interest not matured	58	58		
Other financing	0			
Total financial liabilities at 31 March 2019	**44,953**	**12,718**	**30,917**	**1,319**
Borrowings that were long-term at inception	40,457	8,221	30,917	1,319
Bank facilities	4,480	4,480		
Accrued interest not matured	16	16		
Other financing	0			

Accounting policy – Financial liabilities

Financial liabilities are presented as non-current except for those that have less than 12 months to maturity on the closing date, which are classified as "current liabilities" .

Current and non-current financial liabilities include bank borrowings, other bank financing and overdrafts and operating payables.

Measurement and recognition of financial liabilities

The Group initially recognises debts and subordinated liabilities on the date on which they arise. All other financial liabilities are initially recognised on the transaction date, which is the date on which the Group becomes a party to the instrument's contractual provisions.

The Group derecognises financial liabilities when its contractual obligations have been extinguished or terminated or have expired.

The Group classifies non-derivative financial liabilities under other financial liabilities. Those financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs. After initial recognition, the financial assets are measured at amortised cost using the effective interest rate method.

Other financial liabilities include borrowings, bank overdrafts, trade payables and other payables.

- Bank borrowings

Between 1 April 2018 and 31 March 2019, Bigben Interactive took out eight new medium-term bank loans totalling €29.0 million to fund the acquisition of three development studios (Cyanide SA, Eko Software SAS and Kylotonn SAS) as well as video game development costs.

Borrowings taken out by Bigben Interactive and relating to its Gaming business were transferred to NACON as part of the spin-off.

Between 1 April 2019 and 31 March 2020, NACON took out new medium-term bank borrowings totalling €35.0 million to fund developments in its Gaming business, the acquisition of development studio Spiders SAS, the purchase of an equity stake in RaceWard and the acquisition of assets from Plantronics Inc. ("Poly") along with the RIG™ trademark.

For some of those loans, the Company has undertaken to comply with annual financial covenants.

At 31 March 2020, the financial ratios concerned (interest cover and net leverage ratio) were complied with (see Note 30).

Reconciliation of changes in liabilities with cash flow from financing activities

	Liabilities		Equity	
	Bank overdrafts	Other borrowings	Reserves	Total
Balance at 31 March 2019	**4,480**	**40,474**	**67,544**	**112,498**
Changes related to cash flow from financing activities				
Capital increase			102,975	102,975
Cash inflows from borrowings		36,093		36,093
Repayment of borrowings		(11,476)		(11,476)
Accrued interest		(903)		(903)
Total changes related to cash flow from financing activities		**23,713**	**102,975**	**126,688**
Changes resulting from gaining or losing control over subsidiaries		31		31
Changes in bank overdrafts	(2,271)			(2,271)
Recognition of IFRS 16 lease liabilities on the balance sheet at 1 April 2019		4,289		4,289
Accrued interest		961		961
Total other changes related to liabilities	**(2,271)**	**5,250**		**2,978**
Total other changes related to equity			**17,102**	**17,102**
Balance at 31 March 2020	**2,209**	**69,468**	**187,621**	**259,297**

Note 13 – Deferred tax liabilities

The Group's deferred tax position at 31 March 2019 was reassessed following the adoption of the 2017 Finance Act in France, which provided for a gradual reduction in the corporate income tax rate from 33.33% to 25% for all companies by 2022.

⇨ ***Accounting policy – Tax***

Income tax includes current tax and deferred tax.

Tax expense and income are recognised in the income statement except where they relate to items recognised directly in equity (or under other comprehensive income), in which case they are also recognised in equity.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amount of assets and liabilities and their tax basis. The following do not give rise to the recognition of deferred tax: (i) initial recognition of goodwill and (ii) recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit.

The measurement of deferred tax takes into account known changes in tax rates (and in tax regulations) that have been adopted or materially adopted at the closing date.

Deferred tax assets are recognised when they can be offset against deferred tax liabilities or tax loss carryforwards, if it is likely that future taxable profits will be available against which those tax assets can be offset. The carrying amount of deferred tax assets is reviewed at each closing date.

In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

Note 14 – Long-term and short-term provisions

	1 April 2019	Change in scope	Additions	Reversals		Exchange differences	Other	31 March 2020
				used	unused			
Non-current	**542**	**70**	**47**					**659**
Provisions for contingencies *- workforce-related* *- tax-related*								
Provisions for losses - other								
Provisions for pension liabilities	**542**	70	47					**659**
Current	**530**							**530**
Provisions for contingencies *- commercial* *- workforce-related* *- other*	**530** ***530***							**530** ***530***
Provisions for losses - other								
TOTAL	**1,072**	**70**	**47**					**1,189**

- Industrial property dispute

Several infringement proceedings are underway before courts in Germany and France. They concern patents in particular, along with products that are no longer sold by NACON. At this stage in the proceedings, which are very long, the probability and potential amount of any outflow of resources cannot be estimated.

Given the status of existing proceedings and the Group's defence, management remains confident that it will be able to resolve this dispute without any financial loss.

However, in 2015, a French court ordered NACON to pay €530 thousand on the ground of unfair competition. Accordingly, a provision in that amount was set aside on 31 March 2015.

No additional provisions were set aside in the Group's financial statements on 31 March 2020. This position is similar to the one adopted at 31 March 2019.

- Other proceedings

The Group has also commenced other non-material proceedings against some of its suppliers and competitors, which may be resolved in its favour.

- NACON has commenced proceedings against an accessories supplier for wrongful termination of a procurement contract. On 19 November 2019, the Berlin appeal court proposed a settlement agreement favourable to NACON based on the value of inventories acquired by NACON. The proposal was rejected by the supplier and so the proceedings are ongoing.

- There is a dispute between a Canadian publisher and one of NACON SA's studios regarding a purported breach of a video game development contract. The case was brought before the Superior Court of Quebec in December 2017. NACON SA, in its defence filed in April 2018, argued that the publisher's claim was manifestly ill-founded and asked the Court to find that the publisher's claim is improper and require it to pay damages in the form of its lawyers' fees and other costs.

- Finally, there is a dispute between NACON SA as publisher and a foreign development studio, regarding purported breaches of contract and in particular intellectual property claims that NACON SA regards as questionable.

In NACON SA's view, the claims are groundless. Since these disputes are not of a serious nature, NACON SA has classified them as non-material disputes. As such, the Company has decided not to set aside accounting provisions in relation to them.

⇨ ***Accounting policy – Provisions***

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognised when the Group has a legal or implied obligation towards a third party and it is probable that an outflow of resources will be required to settle the obligation.

If the effect of time value is material, provisions are discounted at a pre-tax rate that reflects, where appropriate, the risks specific to the liability.

If no reliable estimate of the amount of the obligation can be made, no provision is booked, and a disclosure is made in the notes.

Note 15 – Other payables

in thousands of euros	31 March 2020	31 March 2019
Central and local government (excluding income tax)	2,576	2,155
Employees and social security agencies	3,871	3,162
Client discounts and trade payables	3,761	6,099
Derivative financial instruments		82
Liabilities relating to non-current assets	1,647	
Prepaid income	2,326	1,427
Miscellaneous liabilities (including earn-out liabilities)	3,708	2,777
TOTAL	**17,889**	**15,703**

Reconciliation of changes in trade payables with cash flows in the year ended 31 March 2020:

	31 March 2020
Change in trade payables on the balance sheet	4,132
Change in liabilities related to acquisitions of subsidiaries	-1,270
Changes related to entries into the scope	-5,056
Net cash flows – trade payables	**-2,194**

Note 16 – Equity

Number of shares at 31 March 2019	**0**
Payment of dividends in shares	
Capital increase	84,908,919
Bonus shares issued	
Number of shares at 31 March 2020	**84,908,919**

The share capital is made up of 84,908,919 shares with par value of €1 each. During the financial year, changes corresponded to the following events related to the IPO:

Since NACON was not incorporated until 18 July 2019, no share capital existed at 31 March 2018 or 31 March 2019. Its share capital amounted to €10,000 at 18 July 2019 and then, following the 31 October 2019 spin-off with retroactive effect from 1 October 2019, it increased to €65,097,988, made up of 65,097,988 NACON shares with par value of €1 each.

Since the accounts closing was finalised subsequently at the time that the interim financial statements were approved on 25 November 2019, the actual net assets transferred as shown by both companies' statutory financial statements was €65,603,700. As a result and in accordance with the Spin-off Agreement, NACON offset the additional sum of €515,712 by recording it under share premiums on the liabilities side of NACON's balance sheet.

On 4 March 2020, following the success of the Offering at a price of €5.50 per share, which was four times oversubscribed (€7.7 million of subscriptions to the FPO with the extension clause fully exercised, and the IO fully subscribed), the Company's Board of Directors officially noted the first listing of the Company's shares on Euronext's regulated market in Paris and voted to increase its capital by €18,181,819 by issuing 18,181,819 new shares with par value of €1 each, plus a total share premium of €81,818,185.50 (i.e. €4.50 per ordinary share). As a result, the share capital amounted to €83,279,807 on that date, divided into 83,279,807 ordinary shares with par value of €1 each, fully subscribed and fully paid-up.

In accordance with Article L. 225-135-1 of the French Commercial Code, and to stabilise the Company's share price in the context of its IPO, on 28 February 2020 the Company's Board of Directors granted to Louis Capital Markets, as stabilising agent, an over-allotment option allowing up to 1,818,181 additional new shares to be subscribed at the offering price of €5.50. That over-allotment option could be exercised until 27 March 2020.

The share price having remained stable, the stabilising agent informed the Company on 26 March 2020 that the stabilisation transactions had ended, stating that the Company's shares offered as part of the over-allotment transactions had been subscribed in an amount of €9 million. Following the partial exercise of the over-allotment option, the Company's Board of Directors decided to increase its capital by €1,629,112 by issuing 1,629,112 additional new shares at a price of €5.50, i.e. €1 par value and a €4.50 issue premium, representing subscriptions totalling €8,960,116 including the issue premium.

As a result, the total number of the Company's shares issued as part of its IPO amounted to 19,810,931, i.e. 23.33% of the Company's capital, taking the size of the issue to €109 million. The Company's share capital is now made up of 84,908,919 shares.

Bigben Interactive SA has therefore held 76.67% of the Company's capital since 26 March 2020 and still controls NACON SA following the transaction.

Table summarising movements in the share capital:

		Number of shares		Capital increase					
Date	**Type of transaction**	**Number of shares issued**	**Total number of shares in issue**	**Share capital issued**	**Issue or contribution premium**	**Gross proceeds from the capital increase**	**Par value per share**	**Share capital after transaction**	**Price per share**
18/07/2019	Incorporation (contribution in cash)	10,000	10,000	€10,000	/	€10,000	€1.00	€10,000	€1.00
01/10/2019	Spin-off	65,087,988	65,097,988	€65,087,988	/	€65,087,988	€1.00	€65,097,988	€1.00
28/02/2020	Capital increase (public offering)	18,181,819	83,279,807	€18,181,819	€81,818,185.50	€100,000,004.50	€1.00	€83,279,807	€5.50
26/03/2020	Capital increase (over-allotment option)	1,629,112	84,908,919	€1,629,112	€7,331,004	€8,960,116	€1.00	€84,908,919	€5.50

All shares give an entitlement to the Company's residual assets. Shareholders are entitled to dividends where a decision to pay dividends has been made, and have the right to vote in Shareholders' General Meetings. As regards shares in the Company held by the Group, all rights are suspended until the shares are put back into circulation.

- Treasury shares

A liquidity agreement was formed in 2019/20 with Louis Capital Markets UK LLP. That agreement, which has a one-year term and is renewable by tacit agreement, took effect on 27 March 2020. The signature of the liquidity agreement follows the Autorité des Marchés Financiers decision no. 2018-01 of 2 July 2018, applicable since 1 January 2019, which establishes liquidity agreements relating to equity securities as an accepted market practice.
For the implementation of that agreement, a cash sum of €400,000 was allocated to the liquidity account.

Number of shares and average price of transactions:

Period	Balance at start of period	Purchases	Contributions	Sales	Balance at end of period
Mar. 2018 - Mar. 2019					**0**
Mar. 2019 - Mar. 2020		16,142		182	**15,960**

Period	Purchases	Sales
Mar. 2018 - Mar. 2019		
Mar. 2019 - Mar. 2020	4.6764	5.0428

2.4.2 Additional notes to the income statement

Note 17 – Revenue

- Revenue by product category

in thousands of euros		12-month total		Contribution	
		2019/20	2018/19	2019/20	2018/19
Revenue		**129,427**	**113,101**	**100%**	**100%**
of which	*Gaming Accessories*	52,596	55,242	41%	49%
	Physical games	20,471	29,931	16%	26%
	Digital games	48,940	20,332	38%	18%
	Other	7,421	7,596	6%	7%

Given the way in which the distribution subsidiaries were carved out in the aforementioned spin-off from Bigben Interactive to NACON, the "NACON – Gaming" segment still includes a very small amount of non-Gaming revenue, in the "Other" category.

- Breakdown of revenue by geographical zone

in thousands of euros		12-month total		Contribution	
		2019/20	2018/19	2019/20	2018/19
Revenue		**129,427**	**113,101**	**100.0%**	**100.0%**
of which	*France*	27,419	34,503	21.2%	30.5%
	Export	102,008	78,597	78.8%	69.5%

The breakdown above is based on the countries in which invoiced clients are based. The figures stated above are identical to the information in Section 2.3.6 above.

⇨ ***Accounting policy – Revenue***

Revenue is measured on the basis of the consideration specified in an agreement signed with a client.

- *Sales of retail games and accessories: Revenue generated by sales of physical video games and accessories is recognised on the date on which the products are delivered to distributors, minus any commercial discounts and an estimate of the price reductions that NACON will apply if sales in retailers' stores prove insufficient.*

- *Sales of digital games: revenue is recognised on the date the content is made available to console manufacturers or platforms. NACON acts as a principal with respect to console manufacturers and platforms to which the games masters are sent (and not with respect to end-users), and therefore recognises the amounts specified in contracts with those console manufacturers and platforms (and not the amounts billed to end-customers) as revenue. Guaranteed amounts are recognised in revenue as soon as the games master is made available, and additional amounts (royalties) depending on future console and platform sales are recognised when those sales take place. At the end of the period, the Company estimates the royalty revenue to be recognised based on sales generated on each platform. As the case may be, prepaid income is recognised to defer the recognition as revenue of amounts invoiced to console manufacturers and platforms with respect to sales whose content has not yet been made available to clients at the closing date. Currently, NACON does not sell video games with an "online services" component or a "live ops" component allowing a gamer to receive online services (new content, free updates, premium downloadable content and other add-ons that extend the game's life). Under IFRS 15, those services could constitute a separate obligation whose revenue would have to be recognised as and when the additional services were provided.*

Note 18 – Purchases consumed

in thousands of euros	2019/20	2018/19
Merchandise	(57,345)	(51,004)
Change in merchandise inventories	7,885	2,167
Impairment losses on inventory	(916)	(1,853)
TOTAL	**(50,377)**	**(50,691)**

in thousands of euros	2019/20	2018/19
Provisions for impairment of inventories	(11,774)	(10,858)

Purchases consumed include the cost of producing physical games (including a portion of the amortisation of video game development costs for games released up to 31 March 2019) and the cost of sales relating to gaming accessories.

The change in impairment consists of the change in additions to impairment on inventories.

As digital sales of video games increase, purchases consumed are falling as a proportion of total revenue. This has led to an increase in gross profit in the two financial years presented.

Note 19 – Other operating revenue

in thousands of euros	2019/20	2018/19
Subsidies	3	14
Other income	702	532
TOTAL	**705**	**546**

Note 20 – Other purchases and external expenses

in thousands of euros	2019/20	2018/19
Purchases not held in inventory	(260)	(340)
Subcontracting	(1,674)	(2,159)
Rent	(204)	(629)
Maintenance and repairs	(687)	(602)
Insurance premiums	(202)	(295)
Other external services	(37)	(65)
External personnel	(295)	(343)
Fees	(3,331)	(2,893)
R&D expenses	(445)	(450)
Advertising	(6,808)	(4,711)
Transportation of goods sold	(2,238)	(2,487)
Travel costs	(1,297)	(1,145)
Communication costs	(980)	(1,299)
Bank fees and services	(289)	(189)
Other external expenses	(527)	(712)
TOTAL	**(19,272)**	**(18,319)**

Note 21 – Share-based payment - Bonus share and stock-option plans

The residual IFRS 2 expense, corresponding to the fair value of current Bigben bonus share plans under which NACON group employees may receive benefits, with a balancing entry under reserves – parent-company contribution, amounted to:

- €1.3 million for the NACON group in 2018/19;
- €2.0 million for the NACON group in 2019/20.

See also Note 27, which covers the number of bonus shares vested or awarded to the NACON group's qualifying employees during the relevant period.

Note 22 – Other non-recurring operating items

There were no material other non-recurring operating items in 2019/20.

Non-recurring operating items recognised in 2018/19 consisted of a €2 million difference resulting from the remeasurement of the Cyanide SA earn-out payment at fair value at 31 March 2019 and the €0.5 impact of remeasuring previously-held shares after the acquisition of control over Kylotonn SAS on 1 September 2018 (see Note 1).

Note 23 – Income from associates

(see Note 4).

In 2019/20, the Company recognised a €1 thousand expense corresponding to its share in the net income/losses of associate Bigben USA.

In 2018/19, the Company recognised a €87 thousand expense corresponding to its share in the net income/losses of associates Bigben USA and Kylotonn SAS.

Note 24 – Net financial income/expense

in thousands of euros	2019/20	2018/19
Other interest and similar income	31	13
FINANCIAL INCOME	31	13
Interest expense on medium-term funding	(963)	(394)
Other interest expense	(33)	(324)
FINANCIAL EXPENSE	(996)	(718)
NET FINANCIAL INCOME/EXPENSE EXCLUDING FOREIGN EXCHANGE GAINS/LOSSES	**(965)**	**(706)**
Foreign exchange gains	1,002	1,293
Foreign exchange losses	(656)	(970)
Foreign exchange gains and losses	**346**	**323**
NET FINANCIAL INCOME/EXPENSE	**(619)**	**(383)**

Derivative financial instruments had a valuation of zero at 31 March 2020, as opposed to a negative valuation of €107 thousand at 31 March 2019 (see Note 34).

Note 25 – Income tax

in thousands of euros	2019/20	2018/19
Current tax	3,056	1,534
Deferred tax	1,658	770
Tax expense	**4,714**	**2,305**
Tax credits	(9)	(16)
TOTAL	**4,705**	**2,289**

in thousands of euros	2019/20	2018/19
Consolidated pre-tax income, impairment losses and income from discontinued operations and associates	19,962	13,081
Tax rate of NACON SA (parent company)	31.00%	34.43%
Theoretical tax	(6,188)	(4,504)
Tax expense	(4,705)	(2,289)
Difference to be analysed	**1,483**	**2,215**
Income tax on permanent differences	1,864	1,313
Recognition of taxes without basis	(517)	(192)
Difference in tax rates	410	1,016
Other	(274)	78
Analysed difference	**1,483**	**2,215**

The €1,864 thousand of "income tax on permanent differences" relates mainly to IPO expenses charged directly to share premiums in the consolidated financial statements. The "recognition of taxes without basis" item relates to the IFRS 2 expense on bonus share plans, and the "difference in tax rates" item relates mainly to the lower tax rate applicable to the Hong Kong subsidiary.

The scope of the Bigben group's tax consolidation group changed as follows in 2019/20:

- the assets and liabilities of Games.fr were transferred to the NACON group through the spin-off of Bigben Interactive SA's Gaming division to NACON SAS on 31 October 2019 with retroactive effect for accounting and tax purposes from 1 October 2019.
- Subsequently, NACON SAS's IPO reduced Bigben Interactive's indirect stake in Games.fr from 100% to 78.17% on 4 March 2020, the first day on which NACON SA's were traded, and then to 76.67% on 26 March 2020.

Since Bigben Interactive SA no longer holds a stake of more than 95% in Games.fr, that company has automatically left

Bigben Interactive SA's tax consolidation group.

No NACON group company was part of any tax consolidation group on 31 March 2020. The NACON group intends to set up its own tax consolidation group in the 2020/21 financial year.

⇨ ***Accounting policy – Tax***

Income tax includes current tax and deferred tax.
Tax expense and income are recognised in the income statement except where they relate to items recognised directly in equity, in which case they are also recognised in equity.

See Notes 6 and 13 for calculations of deferred tax assets and liabilities.

Note 27 – Earnings per share - Share-based payment

▸ Earnings per share:

The share capital is made up of 84,908,919 shares with par value of €1 each.

Since NACON was not incorporated until 18 July 2019, no share capital existed at 31 March 2019. Its share capital amounted to €10,000 at 18 July 2019 and then, following the 31 October 2019 spin-off with retroactive effect from 1 October 2019, it increased to €65,097,988, made up of 65,097,988 NACON shares with par value of €1 each.

The total number of the Company's shares issued as part of its IPO amounted to 19,810,931, i.e. 23.33% of the Company's capital. The Company's share capital is now made up of 84,908,919 shares.

in euros	2019/20
Net income attributable to equity holders of the parent	**15,256,100**
Weighted average number of shares	67,980,575
Dilutive effect of future awards under bonus share plans	
Average number of shares after dilution	67,980,575
Par value of shares (in euros)	€1.00
Basic earnings per share	**0.22**
Diluted earnings per share	**0.22**

Weighted average number of shares used to calculate earnings per share

	2019/20
Shares transferred as consideration for the spin-off from Bigben Interactive	65,097,988
Number of shares issued, adjusted on a *prorata temporis* basis	2,882,587
Treasury shares	
Weighted average number of shares	**67,980,575**
Shares issued during the financial year	19,810,931
Number of shares issued, adjusted on a prorata temporis basis	*2,882,587*

⇨ ***Accounting policy – Earnings per share***

Earnings per share are calculated by dividing net income attributable to equity holders of the parent by the weighted average number of shares in issue during the period. To determine diluted earnings per share, the weighted average number of shares is adjusted to take account of the maximum impact arising from the conversion of dilutive instruments into ordinary shares.

▸ Bonus shares:

Details of Bigben shares awarded to or vested in NACON group employees are as follows:

As mentioned in section 2.2.4 above:

- On 31 August 2016, Bigben Interactive's Board of Directors awarded 69,300 bonus shares to employees and corporate officers of NACON group entities. The vesting of those shares after a 1-year period was subject to an ongoing presence condition and a condition related to achieving a predetermined level of recurring operating income. Since all of the Group's entities met their performance condition, 67,850 2016 bonus shares vested in the NACON group's beneficiaries.

- On 31 August 2017, Bigben Interactive's Board of Directors awarded 87,510 bonus shares to employees and corporate officers of NACON group entities. The vesting of those shares after a 1-year period was subject to an ongoing presence condition and a condition related to achieving a predetermined level of recurring operating income. Since all of the Group's entities met their performance condition, 86,360 2017 bonus shares vested in the NACON group's beneficiaries.

- On 3 September 2018, Bigben Interactive's Board of Directors awarded 166,995 bonus shares to employees and corporate officers of NACON group entities. The vesting of those shares after a 1-year period was again subject to an ongoing presence condition and a performance condition related to achieving a predetermined level of recurring operating income. The performance conditions of the 2018 bonus share plan were fully or partly met by all Group entities at 31 March 2019. 150,616 bonus shares were awarded definitively to employees on 3 September 2019 subject to a condition that they remain employed by the NACON group.

- On 26 November 2018, Bigben Interactive's Board of Directors awarded 19,799 bonus shares to certain key staff members of the newly acquired studios. The vesting of those shares after a 1-year period was subject to an ongoing presence condition. 19,799 bonus shares were awarded definitively to the employees concerned on 26 September 2019 subject to a condition that they remain employed by the NACON group.

- On 4 September 2019, Bigben Interactive's Board of Directors awarded 221,822 bonus shares to employees and corporate officers of NACON group entities. The vesting of those shares after a 1-year period is again subject to an ongoing presence condition and a performance condition related to achieving a predetermined level of recurring operating income. The performance conditions of the 2019 bonus share plan were fully or partly met by all Group entities at 31 March 2020. The bonus shares will vest in the employees on 4 September 2020 subject to a presence condition. At 31 March 2020, therefore, the 185,508 shares, based on the NACON group's workforce at 31 March 2020, represented the maximum number of shares that could be awarded to NACON group beneficiaries at 4 September 2020.

Summary of bonus shares awarded by the Bigben group to NACON group beneficiaries:

Date of award (Board of Directors meeting)	31/08/2016	31/08/2017	03/09/2018	26/11/2018	04/09/2019
Vesting period	1 year	1 year	1 year	1 year	1 year
Lock-up period	2 years	2 years	2 years	2 years	2 years
Number of bonus shares initially awarded	69,300	85,710	166,995	19,799	221,822
Number of shares currently awarded at 31 March 2020	67,850	86,360	150,616	19,799	N/A
Number of shares capable of being awarded at 31 March 2020	N/A	N/A	N/A	N/A	185,508
Share price on the date the plan was announced	5.05	9.72	10.62	7.72	12.0
Fair value per share on the award date	5.24	9.56	10.78	7.52	11.54

⇨ ***Accounting policy – Share-based payments (IFRS 2)***

Under IFRS 2 "Share-based payment", stock option and bonus share awards made to employees and settled in equity instruments must be measured at fair value, which must be stated on the income statement over the period in which the exercise rights vest in employees, with a balancing entry consisting of an increase in equity. The fair value of bonus share entitlements granted is determined by an external consultancy based on assumptions determined by management.

2.4.3 Other information

- **Note 28 – Dividends**

Not applicable. No dividends have been paid by NACON, which was incorporated on 18 July 2019, in the aforementioned two financial years.

In its meeting on 25 May 2020, the Board of Directors decided not to put any dividend payment with respect to 2019/20 to the vote in the Shareholders' General Meeting of 30 July 2020.

- **Note 29 – Off-balance sheet commitments**

  - Guarantees given

Commitments given	By	To	31 March 2020	Purpose of the commitment
Bank guarantee	Cyanide SAS	BRED	500	Pledge of Cyanide SAS business assets
Bank guarantee	Cyanide SAS	HSBC	500	Pledge of Cyanide SAS business assets
Bank guarantee	NACON SA	CIC	5,000	Pledge of Cyanide SAS shares
Bank guarantee	NACON SA	Banque Postale	5,000	Pledge of Cyanide SAS shares
Bank guarantee	NACON SA	CIC	2,000	Pledge of Kylotonn SAS shares
Bank guarantee	Kylotonn SAS	HSBC	358	Pledge of Kylotonn SAS business assets
Bank guarantee	NACON SA	CIC	4,000	Pledge of Spiders SAS shares
Bank guarantee	NACON SA	BPI	773	Amounts withheld as security in relation to several loans taken out between 2017 and 2019

- **Note 30 – Bank covenants**

To fund the acquisitions of four development studios – Cyanide SAS, Kylotonn SAS, Eko Software SAS and Spiders SAS – and development costs related to publishing, NACON SA has taken out several loans repayable over 5 years with the following covenants:

covenants	valeur cible	statut
Ratio de couverture des frais financiers (EBITDA / Frais financiers)	**> 6**	Respecté
Ratio de levier net (Dettes financières nettes / EBITDA)	**< 2**	Respecté

Following the transfer of borrowings through the spin-off of Bigben Interactive assets to NACON, the banks concerned applied the same covenants to NACON.

All covenants were complied with at 31 March 2020.

Note 31 – Financial instruments (additional information pursuant to the adoption of IFRS 7)

31 March 2020

	Value by category of instruments					FAIR VALUE			
in thousands of euros	**Net carrying amount**	Assets at fair value through profit and loss	Assets at amortised cost	Liabilities at fair value through profit and loss	Liabilities at amortised cost	Quoted prices, cash or bank overdrafts	Internal model with observable parameters	Internal model with non-observable parameters	**Fair value of the class**
Equity securities	38	38						38	38
Other long-term financial assets	1,035		1,035				1,035		1,035
Non-current financial assets	**1,073**	**38**	**1,035**	**0**	**0**	0	**1,035**	**38**	**1,073**
Trade receivables	39,529		39,529				39,529		39,529
Other receivables	11,763		11,763				11,763		11,763
Cash and cash equivalents	110,929	110,929				110,929			110,929
Current financial assets	**162,221**	**110,929**	**51,291**	**0**	**0**	**110,929**	**51,291**	**0**	**162,221**
ASSETS	**163,294**	**110,967**	**52,326**	**0**	**0**	**110,929**	**52,326**	**38**	**163,294**
Long-term financial liabilities	**(50,312)**		**(50,312)**				**(50,312)**		**(50,312)**
Short-term financial liabilities	(17,828)				(17,828)	(2,209)	(15,619)		(17,828)
of which long-term borrowings	*(15,619)*				*(15,619)*		*(15,619)*		*(15,619)*
of which current bank facilities	*(2,209)*				*(2,209)*	*(2,209)*			*(2,209)*
Trade payables	(19,570)				(19,570)		(19,570)		(19,570)
Other payables	(17,889)			0	(17,889)		(17,889)		(17,889)
of which other current financial liabilities	*(17,889)*				*(17,889)*		*(17,889)*		*(17,889)*
of which liabilities relating to derivative instruments	*0*			*0*			*0*		*0*
Current financial liabilities	**(55,287)**	**0**	**0**	**0**	**(55,287)**	**(2,209)**	**(53,078)**	**0**	**(55,287)**
LIABILITIES	**(105,599)**	**0**	**(50,312)**	**0**	**(55,287)**	**(2,209)**	**(103,391)**	**0**	**(105,599)**

31 March 2019

in thousands of euros	Value by category of instruments					FAIR VALUE			
	Net carrying amount	Assets at fair value through profit and loss	Assets at amortised cost	Liabilities at fair value through profit and loss	Liabilities at amortised cost	Quoted prices	Internal model with observable parameters	Internal model with non-observable parameters	**Fair value of the class**
Equity securities	37	37						37	37
Other long-term financial assets	477		477				477		477
Non-current financial assets	**514**	**37**	**477**	**0**	**0**	0	**477**	**37**	**514**
Trade receivables	32,970		32,970				32,970		32,970
Other receivables	6,787		6,787				6,787		6,787
Cash and cash equivalents	6,769	6,769				6,769			6,769
Current financial assets	**46,526**	**6,769**	**39,758**	**0**	**0**	**6,769**	**39,758**	**0**	**46,526**
ASSETS	**47,041**	**6,806**	**40,235**	**0**	**0**	**6,769**	**40,235**	**37**	**47,041**
Long-term financial liabilities	**(32,236)**		**(32,236)**				**(32,236)**		**(32,236)**
Short-term financial liabilities	(12,717)				(12,717)	(4,480)	(8,237)		(12,717)
of which long-term borrowings	*(8,237)*				*(8,237)*		*(8,237)*		*(8,237)*
of which current bank facilities	*(4,480)*				*(4,480)*	*(4,480)*			*(4,480)*
Trade payables	(18,598)				(18,598)		(18,598)		(18,598)
Other payables	(15,703)			(82)	(15,621)		(15,703)		(15,703)
of which other current financial liabilities	*(15,621)*				*(15,621)*		*(15,621)*		*(15,621)*
of which liabilities relating to derivative instruments	*(82)*			*(82)*			*(82)*		*(82)*
Current financial liabilities	**(47,018)**	**0**	**0**	**(82)**	**(46,936)**	**(4,480)**	**(42,538)**	**0**	**(47,018)**
LIABILITIES	**(79,254)**	**0**	**(32,236)**	**(82)**	**(46,936)**	**(4,480)**	**(74,774)**	**0**	**(79,254)**

- Principle for determining fair value:

The fair value of financial assets and liabilities is determined on the closing date either for recognition purposes or for the purpose of including them in information in the Notes. Fair value is determined:

- Either on the basis of quoted prices in active markets (level 1);
- Or based on measurement techniques that use mathematical computation methods incorporating observable market data such as forward prices or yield curves (level 2);
- Or based on internal measurement techniques that include parameters estimated by the Group in the absence of observable data or quoted prices.

Quoted prices in active markets (level 1)

Whenever quoted prices on an active market are available, these are primarily used to determine market value. For the Group, only cash, cash equivalents and current bank facilities are measured on that basis.

Fair values determined using models including data observable in the markets (level 2)

Derivative financial instruments (interest-rate swaps and FX TARNs) are traded on markets in which there are no quoted prices. As a result, they ae measured on the basis of models commonly used by market participants to price such derivative financial instruments.

For payables and receivables due in less than one year and floating-rate debt, their carrying amounts are regarded as a reasonable approximation of fair value.

Note 32 – Contractual repayment schedule

The following tables set out, for recognised financial liabilities (excluding current bank facilities, factoring and accrued interest not matured), the contractual schedule for the repayment of principal and interest, excluding any discounting to present value.

31 March 2020

in thousands of euros		MONTHS			YEARS					TOTAL
		0-1	1-3	3-12	1-2	2-3	3-4	4-5	More than 5	
Borrowings and debts	Principal	1,125	2,861	11,575	16,409	15,347	11,162	5,928	1,466	**65,874**
	Interest	41	140	481	491	316	171	90	11	**1,743**
Financial liabilities		1,166	3,002	12,057	16,901	15,663	11,333	6,019	1,477	**67,617**
Lease liabilities		137	297	1,111	1,096	539	132	106	118	**3,536**
Trade payables		11,128	2,734	5,651	57	0	0			**19,570**
Other payables		3,537	3,071	8,787	1,200	0	1,200	94		**17,889**
Current tax liabilities		0	0	1,468	0	0	0	0		**1,468**
Total financial liabilities		**15,968**	**9,104**	**29,074**	**19,253**	**16,202**	**12,665**	**6,218**	**1,595**	**110,080**

31 March 2019

in thousands of euros		MONTHS			YEARS					TOTAL
		0-1	1-3	3-12	1-2	2-3	3-4	4-5	More than 5	
Borrowings and debts	Principal	596	1,402	6,223	9,147	9,447	8,185	4,138	1,319	**40,457**
	Interest	35	95	351	366	241	123	38	10	**1,260**
Financial liabilities		631	1,497	6,574	9,513	9,688	8,308	4,177	1,329	**41,717**
Trade payables		13,922	4,635	40						**18,598**
Other payables		6,203	4,266	5,235						**15,703**
Current tax liabilities				494						**494**
Non-cancellable lease payments		158	314	1,355	1,412	783	212	50	73	**4,357**
Total financial liabilities		**20,914**	**10,712**	**13,698**	**10,925**	**10,470**	**8,519**	**4,227**	**1,402**	**80,868**

Note 33 – Breakdown of debt by maturity and type

At 31 March 2020:

in thousands of euros	YEARS					TOTAL
	0-1	1-2	2-3	3-4	5 and over	
Fixed rate	15,562	16,409	15,347	11,162	7,394	**65,874**
% / total 1	24%	25%	23%	17%	11%	**100%**
Floating rate						**0**
% total 2	0%	0%	0%	0%	0%	**0%**
TOTAL	**15,562**	**16,409**	**15,347**	**11,162**	**7,394**	**65,874**

Quarterly analysis of the repayment schedule for the current financial year

in thousands of euros	YEARS				TOTAL
	1	2	3	4	
Fixed rate	3,986	3,822	3,858	3,896	**15,562**
% / total 1	26%	25%	25%	25%	**100%**
Floating rate					**0**
% / total 2	0%	0%	0%	0%	**0%**
TOTAL	**3,986**	**3,822**	**3,858**	**3,896**	**15,562**

At 31 March 2019:

in thousands of euros	YEARS					TOTAL
	0-1	1-2	2-3	3-4	5 and over	
Fixed rate	8,221	9,147	9,447	8,185	5,457	**40,457**
% / total 1	20%	23%	23%	20%	13%	**100%**
Floating rate	0	0	0	0	0	**0**
% / total 2	0%	0%	0%	0%	0%	**0%**
TOTAL	**8,221**	**9,147**	**9,447**	**8,185**	**5,457**	**40,457**

Quarterly analysis of the repayment schedule for the current financial year

in thousands of euros	YEARS				TOTAL
	1	2	3	4	
Fixed rate	2,077	2,057	2,048	2,039	**8,221**
% / total 1	25%	25%	25%	25%	**100%**
Floating rate	0	0	0	0	**0**
% / total 2	0%	0%	0%	0%	**0%**
TOTAL	**2,077**	**2,057**	**2,048**	**2,039**	**8,221**

Note 34 – Currency risk on supplies

Most of the currency risk relates to USD-denominated purchases of gaming accessories by NACON France from its Hong Kong subsidiary.

in thousands of euros	2019/20	2018/19
NACON France	(23,540)	(17,477)
TOTAL	**(23,540)**	**(17,477)**
Sensitivity to the USD exchange rate		
+10% = benefit	(2,140)	(1,589)
-10% = additional cost	2,616	1,942

⇨ ***Market risk***

Market risk corresponds to the risk of changes in market prices (exchange rates, interest rates, prices of equity instruments) affecting the Group's income or the value of the financial instruments it holds.

The purpose of market risk management is to control exposure to market risk and/or acceptable limits in terms of the risk/return profile.

Currency risk

While most of the Group's sales are in euros, a large proportion of its purchases are denominated in USD, which creates currency risk for the Group. As part of its currency risk management, the Group has subscribed to complex derivative financial instruments (see Note 39).

Internal reference rates are revised for each purchasing campaign in order to control the impact of exchange-rate movements on margins.

The Group's cash, cash equivalents and debts are exclusively in euros.

Note 35 – Interest-rate risk management

There are no interest-rate hedges in place.

⇨ ***Market risk***

Market risk corresponds to the risk of changes in market prices (exchange rates, interest rates, prices of equity instruments) affecting the Group's income or the value of the financial instruments it holds.

The purpose of market risk management is to control exposure to market risk and/or acceptable limits in terms of the risk/return profile.

Interest-rate risk

When funding its operations, the Group uses fixed-rate financing, i.e. short-term bank facilities and NACON's medium-term debts.
There have been no interest-rate hedges in place since July 2016.

- **Note 36 – Liquidity risk management**

Liquidity risk is managed as follows:

⇨ ***Liquidity risk***

The NACON group manages liquidity risk by ensuring that short- and medium-term credit facilities are sufficient in view of its business activity and the changes caused by business activities to the working capital requirement and debt repayments. It also funds its business activities on a short-term basis using factoring, discounting (depending on the territory and counterparty) and other alternative funding solutions.

- **Note 37 – Other information on contracts with clients**

  - Order book: Given the absence of any contracts with a term of more than one year, no information about the order book is presented.

  - Client contract assets and liabilities:

31 March 2020:

in thousands of euros	Balance at start of period	Change	Balance at end of period
Contract assets	32,970	6,558	39,529
Contract liabilities	7,526	(1,439)	6,087

Contract liabilities at 31 March 2020 consisted of:
- €3,761 thousand of client discounts payable;
- €2,326 thousand of client invoices raised but recognised as revenue when the games were released.

Contract liabilities at 31 March 2019 consisted of:
- €6,099 thousand of client discounts payable. Those discounts were deducted from payments made by clients in the 2019/20 financial year.
- €1,427 thousand of client invoices raised but recognised as revenue when the games were released.

Contract assets at 31 March 2019 consisted of:
- €2,376 thousand of invoices not yet raised. The corresponding invoices were raised in the 2019/20 financial year.
- €30,594 thousand of trade receivables net of provisions.

2.4.4 Related-party disclosures

Transactions with related parties concern commercial and financial transactions between the NACON parent company, its subsidiaries, its sister companies in the Bigben group and its managers (corporate officers or Executive Committee members) and mainly purchases and sales of merchandise.

Transactions between related companies

The purpose of the combined financial statements for the years ended 31 March 2019 is to present the NACON group on a stand-alone basis as it would have existed if it had been created before the periods in question. As a result, a portion of the costs formerly borne by Bigben Interactive SA in its Gaming division (now NACON) have been retrospectively added to those financial statements using the income statement carve-out method and combination principles set out in section 2.1.2.

As regards share-based payments, as defined by IFRS 2 and corresponding to entitlements to Bigben bonus shares awarded by Bigben Interactive SA to NACON employees and corporate officers in the combined financial year ended 31 March 2019, see Notes 22 and 27 and section 2.2.

From 1 October 2019, amounts have been recharged between certain Bigben group entities, particularly Bigben Interactive SA (the Bigben group's parent company) and entities in the NACON sub-group in the manner described below. These recharging agreements have been formed on an arm's-length basis.

NACON's main intra-group flows therefore consist of the following.

Within the NACON group:

- Development costs of Group studios being invoiced to NACON SA: each studio develops games, generally at a cost of several million euros per game divided into milestone payments throughout the development period (usually two years). These milestone payments are made by NACON SA to the studios.
- Accessories supplied by NACON SA to NACON HK Ltd: NACON HK Ltd negotiates prices with the Group's Chinese manufacturing sub-contractors, monitors production from a "quality assurance" standpoint, and is responsible for logistics and for shipping the products to the Lauwin Planque logistics platform for NACON SA. NACON HK Ltd bills NACON SA for these services. NACON SA's European distribution subsidiaries then source the products from NACON SA.
- A cash management agreement between Kylotonn SAS and NACON, enabling them to carry out cash transactions between each other as permitted under the provisions of Article L.511-7, I-3 of the French Monetary and Financial Code. Each company may grant the other advances at market interest rates.

With the Bigben Interactive group (parent company):

- Logistics services (storage, order preparation and shipment) provided by the Lauwin Planque logistics platform owned by Bigben Interactive SA are billed to NACON SA and its subsidiaries at a rate of 2.5% of gross revenue before any price reduction or discount, excluding product taxes and excluding NACON SA's sales of digital video games. This agreement has been entered into on an arm's length basis, particularly as regards the fees paid for the services, which are in line with those practised by external service providers;
- To a lesser extent, the supply of:
  - Audio products by Bigben Interactive SA to certain NACON SA subsidiaries[35] which continue to make limited sales of Bigben Group products in addition to NACON's gaming products; the Audio products concerned are Bluetooth speakers, sound bars, etc.;
  - The supply of Mobile products by Bigben Connected SAS to those same NACON SA subsidiaries: the Mobile products concerned are mobile phone accessories (cables, protective cases and covers, etc.);
  - Sales for those distribution subsidiaries at 31 March 2020 amounted to €6.1 million, equal to 4.7% of the NACON group's annual revenue.
- Monthly cross-invoicing of administrative services provided by Bigben Interactive SA and NACON SA, amounting to €23,800 in favour of Bigben Interactive SA and €48,800 in favour of NACON SA (a net amount of €25,000 per month in favour of NACON SA);
- Rent for offices and shared space made available by Bigben Interactive SA to NACON SA within its premises, amounting to €0.2 million per year; this agreement has been entered into on an arm's length basis;
- A cash management agreement between Bigben Interactive and NACON, enabling them to carry out cash transactions between each other as permitted under the provisions of Article L.511-7, I-3 of the French Monetary and Financial Code. Each company may grant the other advances at market interest rates.

With Bigben Interactive group subsidiaries

- The Bigben España subsidiary invoices its sister company NACON Gaming España for administrative services provided by employees working for both companies.
- The Bigben HK Ltd subsidiary in Hong Kong invoices its sister company NACON HK Ltd for administrative services provided by employees working for both companies.

[35] Prior to the spin-off in October 2019 from Bigben Interactive to NACON, the Bigben Interactive Italia, Bigben Interactive Belgium, Bigben Interactive GmbH and Games.fr subsidiaries generated less than €2 million of revenue in Audio and Mobile. At the time of the spin-off in October 2019, it was decided not to split out these activities and create a second local subsidiary for the Audio/Telco business, which would not have had the critical mass required to operate on a stand-alone basis. These revenues come under the "Other" category of NACON's revenue.

Transactions with corporate officers or Executive Committee members

Remuneration of corporate officers

in thousands of euros	Short-term benefits	Provisions for retirement benefits (1)	Share-based payments
2017/18	649	(1)	31
2018/19	668	3	22
2019/20	724	0	18

(1) Post-employment benefits

Remuneration of the Executive Committee

Remuneration of the Executive Committee

in thousands of euros	Short-term benefits	Provisions for retirement benefits (1)	Share-based payments
2017/18	758	2	61
2018/19	808	8	54
2019/20	865	(0)	46

(1) Post-employment benefits

NACON SA's Executive Committee has five members.

When the combined financial statements were prepared, their remuneration was not apportioned between Bigben Interactive SA and NACON SA. All of their remuneration was allocated to NACON SA. Accordingly, they were regarded as belonging to NACON SA's Executive Committee as if NACON SA had existed in its current form in the financial years ended 31 March 2020 and 31 March 2019.

An employment contract has been formed, after the accounts closing date, between the Company and Laurent Honoret for his role as Head of Strategy and Business Development. That employment contract is in addition to his role as a corporate officer as authorised in accordance with recommendation 15 of the Middlenext Code.

The employment contract represents a regulated agreement that was authorised by the Board of Directors on 27 April 2020 and took effect on 2 May 2020 (see section 17.1 "Intragroup transactions and transactions with related parties").

Transaction with key executives and directors

None.

2.4.5 Statutory auditors' fees

in thousands of euros	2019/20			2018/19 (2)		
Statutory auditors' fees	**KPMG**	**FMA**	**Other firms**	**KPMG**	**FMA**	**Other firms**
Audit of the financial statements	**90**	**104**	**189**	**70**	**84**	**126**
Issuer	90	90		70	70	
Fully consolidated companies		14	189		14	126
Services other than audit of the financial statements	**542**	**20**	**20**	**21**	**0**	**0**
Issuer (1)	542	20		21		
Fully consolidated companies			20			
Other services						
TOTAL	**632**	**124**	**209**	**91**	**84**	**126**

(1) of which €536 thousand of audit fees related to the NACON SA IPO
(2) For the financial year ended 31 March 2019, two thirds of KPMG and FMA's fees were allocated to the gaming business that now constitutes NACON.

18.1.7 Date of latest financial information

31 March 2020, in the form of the statutory and consolidated financial statements.

18.2 INTERIM AND OTHER FINANCIAL INFORMATION

None.

18.3 AUDIT OF HISTORICAL FINANCIAL INFORMATION

18.3.1 Statutory auditors' report on the statutory financial statements for the financial year ended 31 March 2020

To the shareholders of NACON SA,

Opinion

In accordance with our appointment as statutory auditors by your articles of association and your Shareholders' General Meeting, we have audited the accompanying statutory financial statements of NACON SA for its first accounting period, i.e. the nine months ended 31 March 2020. Those financial statements were finalised by the Board of Directors on 25 May 2020 based on information available at that date against the background of the rapidly developing Covid-19 crisis and the difficulties gauging its impact and the future outlook.

In our opinion, the statutory financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 March 2020 and of the results of its operations for the year in accordance with French accounting principles.

The opinion formulated above is consistent with the content of our report to the Audit Committee.

Basis of our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the information that we have collected provides a sufficient and appropriate basis for our opinion.

Our responsibilities under those standards are stated in the "Responsibilities of the statutory auditors in relation to auditing the statutory financial statements" section of this report.

Independence

We conducted our audit in accordance with the independence rules applicable to us between 12 July 2019 and the date on which we issued our report, and in particular we did not provide any services forbidden by Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the code of conduct of the statutory auditors' profession in France.

Justification of our assessments – Key audit matters

As required by Articles L. 823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters, relating to what were, in our professional judgement, the main risks of material misstatement in relation to our audit of the year's statutory financial statements, and our responses to those risks.

Those assessments were made in the context of our audit of the statutory financial statements taken as a whole, finalised in the aforementioned circumstances, and in the formation of our opinion stated above. We express no opinion on items of the statutory financial statements taken in isolation.

a. Valuation of equity securities:

Risks identified

Equity securities had a net carrying amount of €45,195 on the balance sheet at 31 March 2020. They are recognised at the date of acquisition at cost and written down on the basis of their value in use.

As stated in Note 2.3.1 "Additional notes to the balance sheet - Note 3 Equity securities", management estimates their recoverable amount on the basis of the equity securities' value in use, as assessed in aggregate by management as part of the Group's overall strategy, based on discounted cash flows forecast by the Group.

Estimating the value in use of these securities requires management to use judgement in selecting the forecasts to consider.

Accordingly and because of the uncertainty inherent in certain elements and particularly in the probability of forecasts being realised, we took the view that the correct measurement of equity securities was a key audit matter.

Audit procedures implemented to address the risks identified

We assessed whether the method used by the Company to calculate the recoverable amount of equity securities complies with accounting standards in force.

We also carried out a critical examination of the way in which value in use is calculated, and in particular checked:

- whether cash flow forecasts are consistent with the Gaming division's performance during the year and management's latest estimates, established as part of the Group's budget process;

- whether the discount rate and perpetual growth rate are reasonable, with the help of our valuation specialists.

We also assessed the appropriateness of information provided in Note 2.3.1 "Additional notes to the balance sheet - Note 3 - Equity securities" in the notes to the statutory financial statements.

b. Measurement of publisher game development costs

Risks identified

In the financial year ended 31 March 2020, expenses incurred by NACON SA as publisher with respect to game development were included in other receivables and amounted to €55,246 thousand, equal to 20.7% of assets. Those expenses are included in assets net of impairment losses.

Contracts with development studios generally stipulate that, during the development of the game, the publisher pays the studio a guaranteed minimum amount or fixed milestone payments based on sales forecasts. If the estimated sales figures are exceeded, additional royalties are paid to the studio.

As stated in Note 2.3.1 “Additional notes to the balance sheet – Note 7 – Other receivables” in the notes to the statutory financial statements, at the end of each financial year, Management makes forecasts regarding each game’s revenues. Where those forecasts are less than the expenses incurred by NACON with respect to game development, impairment is recognised.

In our view, the risk of the net carrying amount of those assets exceeding their recoverable amount and that the corresponding impairment is not recognised on the balance sheet is a key audit matter, because of the importance of the item in the financial statements and Management’s use of judgement in determining future games sales.

Audit procedures implemented to address the risks identified

As part of our assignment, we familiarised ourselves with the process used by the Company to monitor game development expenditure, the definition of the method for recognising expenses on the income statement and the determination of the recoverable amounts of games.

In particular, we selected amounts that showed material values on the asset side of the balance sheet at 31 March 2020 and assessed whether estimates of future games sales used to determine the related recoverable amounts were reasonable.

We also assessed the appropriateness of information provided in Note 2.3.1 “Additional notes to the balance sheet - Note 7 - Other receivables” in the notes to the statutory financial statements.

c. Recognition of revenue related to video game sales

Risks identified

In the financial year ended 31 March 2020, revenue totalled €49,068 thousand, including sales of video games in physical and digital form.

As stated in Note 2.3.2 “Additional notes to the income statement - Note 19 - Breakdown of revenue” in the notes to the statutory financial statements, revenue generated by sales of physical video games is recognised on the date on which the products are delivered to distributors minus, as the case may be, an estimate of the price reductions that NACON will apply if sales in retailers’ stores prove insufficient.

Revenue from sales of digital games is recognised on the date the content is made available to console manufacturers or platforms. Guaranteed amounts are recognised in revenue as soon as the game is released. Additional amounts depending on future console and platform sales are recognised when those sales take place.

Accordingly and because of the material nature of video game sales, we took the view that revenue recognition was a key audit matter.

Audit procedures implemented to address the risks identified

We assessed whether the methods used by the Company comply with accounting standards in force.

As part of our assignment, we familiarised ourselves with the process used by the Company to recognise revenue from sales of video games.

We also assessed whether estimates used in determining revenue were reasonable:

- As regards estimates of price reductions on physical game sales, which are becoming smaller as digital sales take greater importance, we assessed whether the provision set aside at 31 March 2020 is consistent with the use of past provisions and discounts actually granted;

- As regards estimates of platform digital sales used to determine royalties recognised in revenue but still to be invoiced at 31 March 2020, we obtained data from the platforms where possible or alternatively we assessed whether management estimates were consistent with actual figures in the past.

We also assessed, on a sample basis, the existence of revenue from digital sales during the period by obtaining signed contracts, evidence that content had been provided and evidence that revenue had been collected as the case may be.

We also assessed the appropriateness of information provided in Note 2.3.2 "Additional notes to the income statement - Note 19 - Breakdown of revenue" in the notes to the statutory financial statements.

Specific verifications

We also performed, in accordance with professional standards applicable in France, the specific verifications required by statutory and regulatory provisions.

Information provided in the management report and in other documents concerning the financial position and statutory financial statements addressed to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors finalised on 25 May 2020 and in the other documents with respect to the financial position and financial statements addressed to the shareholders. As regards events occurring and information coming to light after the accounts closing date in relation to the Covid-19 crisis, management has informed us that it will make a statement on them in the Shareholders' General Meeting convened to vote on the financial statements.

We confirm that the information relating to payment times, provided for by Article D. 441-4 of the French Commercial Code, is accurate and agrees with the statutory financial statements.

Corporate governance report

We confirm that the report of the Board of Directors on corporate governance contains the information required by articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to the remuneration and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by the company from companies controlling your company or controlled by it. Based on this work, we confirm that this information is accurate and fairly presented.

As regards information relating to items that your Company considered capable of having an impact in the event of a public exchange or purchase offer, provided in accordance with article L.225-37-5 of the French Commercial Code, we have checked that it is consistent with the documents from which it originates and that were sent to us. On the basis of our work, we have no observations to make on that information.

Other information

In accordance with French law, we verified that the required information concerning the purchase of investments and controlling interests, the identity of shareholders or holders of voting rights and cross-shareholdings has been properly disclosed in the management report.

Information resulting from other statutory and regulatory obligations

Appointment of the statutory auditors

KPMG was appointed as statutory auditor of NACON SA by the articles of association when the Company was formed on 12 July 2019, and Fiduciaire Métropole Audit (FMA) by your Shareholders' General Meeting of 22 January 2020.

At 31 March 2020, KPMG and FMA were in their first year of their appointment as statutory auditors.

Responsibilities of management and persons involved in corporate governance in relation to the statutory financial statements

Management is responsible for preparing statutory financial statements that present a true and fair view, in accordance generally accepted accounting principles in France, and for setting up the internal controls it deems necessary for preparing statutory financial statements that do not contain any material misstatements, whether due to fraud or error.

When preparing the statutory financial statements, management is responsible for assessing the company's ability to continue as a going concern, for presenting in those statements any necessary information relating to its status as a going concern, and for applying the accounting concept of going concern, except where there is a plan to liquidate the company or discontinue its operations.

The Audit Committee is responsible for monitoring the process of preparing the financial information and for monitoring the effectiveness of internal control and risk management systems, and internal audit systems as the case may be, as regards procedures relating to the preparation and treatment of accounting and financial information.

The statutory financial statements are the responsibility of the Board of Directors.

Responsibilities of the statutory auditors in relation to auditing the statutory financial statements

Audit objective and procedure

Our responsibility is to prepare a report on the statutory financial statements. Our objective is to obtain reasonable assurance about whether the statutory financial statements, taken as a whole, are free of material misstatement. Reasonable assurance means a high level of assurance, although there is no guarantee that an audit conducted in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error, and are regarded as material when they can reasonably be expected, individually or together, to influence the economic decisions that users of the financial statements take on the basis of those statements.
As stated by Article L. 823-10-1 of the French Commercial Code, our audit assignment does not involve guaranteeing the viability of your company or the quality of its management.

When conducting an audit in accordance with professional standards in France, statutory auditors use their professional judgement throughout the audit.
In addition:

- they identify and assess the risks that the statutory financial statements contain material misstatements, whether through fraud or error, define and implement audit procedures to address those risks, and collect information that they regard as sufficient and appropriate as the basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or the circumvention of internal controls;

- auditors familiarise themselves with the internal controls relevant to the audit, in order to define audit procedures appropriate to the situation in hand, and not in order to express an opinion on the effectiveness of internal control;

- they assess the appropriateness of accounting policies adopted and the reasonableness of accounting estimates made by management, along with information about those estimates provided in the statutory financial statements;

- they assess whether management has applied appropriately the going concern convention and, based on information collected, whether or not there is a material uncertainty arising from events or circumstances likely to call into question the company's ability to continue as a going concern. That assessment is based on information collected until the date of the auditors' report, although it should be borne in mind that subsequent circumstances or events may call into question the company's status as a going concern. If the auditors conclude that there is a material uncertainty, they draw the attention of those reading their report to information provided in the statutory financial statements in relation to that uncertainty or, if that information is not provided or is not relevant, they certify the financial statements with reservations or refuse to certify them;

- they assess the overall presentation of the statutory financial statements and assess whether the statutory financial statements reflect the underlying operations and events so that they give a true and fair view.

Reporting to the Audit Committee

We submit a report to the Audit Committee that includes the extent of audit work and the schedule of work performed, along with the conclusions arising from our work. We also make it aware, as the case may be, of any material internal control weaknesses that we have identified regarding procedures for preparing and treating accounting and financial information.

The information in the report to the Audit Committee includes what we regard as the main risks of material misstatements with respect to the audit of the year's statutory financial statements, and which are therefore the key audit matters. It is our role to describe those matters in the present report.

We also provide the Audit Committee with the declaration provided for by Article 6 of Regulation (EU) No 537-2014 confirming our independence, within the meaning of the rules applicable in France, as determined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of conduct of the statutory audit profession in France. As the case may be, we discuss with the Audit Committee any risks to our independence and the safeguard measures applied.

The statutory auditors,

Paris la Défense, 18 June 2020	Roubaix, 18 June 2020
KPMG Audit *Department of KPMG SA*	Fiduciaire Métropole Audit
Stéphanie Ortega *Partner*	François Delbecq *Partner*

18.3.2 Statutory auditors' report on the consolidated financial statements for the financial year ended 31 March 2020

To the shareholders of NACON SA,

Opinion

In accordance with our appointment as statutory auditors by your articles of association and your Shareholders' General Meeting, we have audited the accompanying consolidated financial statements of NACON SA for the financial year ended 31 March 2020.

Those financial statements were finalised by the Board of Directors on 25 May 2020 based on information available at that date against the background of the rapidly developing Covid-19 crisis and the difficulties gauging its impact and the future outlook.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, assets and liabilities and results of the group formed by the persons and entities included in the consolidation, in accordance with the International Financial Reporting Standards as endorsed by the European Union.

The opinion formulated above is consistent with the content of our report to the Audit Committee.

Basis of our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the information that we have collected provides a sufficient and appropriate basis for our opinion.

Our responsibilities under those standards are stated in the "Responsibilities of the statutory auditors in relation to auditing the consolidated financial statements" section of this report.

Independence

We conducted our audit in accordance with the independence rules applicable to us between 1 April 2019 and the date on which we issued our report, and in particular we did not provide any services forbidden by Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the code of conduct of the statutory auditors' profession in France.

Emphasis of matter

We draw your attention to Note 2.3.1 to the consolidated financial statements concerning the first-time adoption of IFRS 16 "Leases" from 1 January 2019. Our opinion is not modified as a result of this matter.

Justification of our assessments

As required by Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters, relating to what were, in our professional judgement, the main risks of material misstatement in relation to our audit of the year's consolidated financial statements, and our responses to those risks.

Those assessments were made in the context of our audit of the consolidated financial statements taken as a whole, finalised in the aforementioned circumstances, and in the formation of our opinion stated above. We express no opinion on items of the consolidated financial statements taken in isolation.

Measurement of goodwill:

Risk identified

As part of its development, the Group carries out acquisitions and as a result recognises goodwill, the total amount of which on the asset side of the consolidated balance sheet was €29,072 at 31 March 2020. For each transaction, goodwill is measured at the acquisition date in the manner defined in Note 2.3.3 "Basis of measurement - Business combinations".

At each accounts closing, or whenever there is evidence of an impairment loss, management checks that the carrying amount of goodwill is not higher than its recoverable amount.

For these tests, assets are grouped into cash-generating units (CGUs). Given the high level of integration shown by its business activities, the NACON group has only one CGU.

As described in Note 2.4.1 “Additional notes to the balance sheet - Note 1 - Goodwill”, the recoverable amount of non-current assets is the greater of fair value less costs to sell and value in use. The CGU’s value in use is determined with reference to future cash flows after tax and discounted to present value over a three-year period, after which cash flows are extrapolated by applying a perpetual growth rate.

The calculation of the recoverable amount of goodwill is based on estimates and management’s judgement, particularly as regards cash flows, the perpetual growth rate used to project cash flows and the discount rate applied to them. As a result, we regarded the measurement of goodwill as a key audit matter.

Audit procedures implemented to address the risk identified

We assessed whether the method used by the Company to calculate the recoverable amount of NACON’s CGU complies with accounting standards in force.

We also carried out a critical examination of the way in which the impairment test is implemented, and in particular checked:

- whether cash flow forecasts are consistent with the Gaming division’s performance during the year and management’s latest estimates, established as part of the Group’s budget process;
- whether the discount rate and perpetual growth rate are reasonable, with the help of our valuation specialists;
- the test for sensitivity to key assumptions forming part of the recoverable amount calculation.

We also assessed the appropriateness of information provided in the notes to the consolidated financial statements.

Measurement of game development costs:

Risks identified

At 31 March 2020, the net cost of developing games published by the Group and developed by the Group’s studios and external studios, included under other intangible assets, was €58,129 thousand.

As stated in Note 2.4.1 “Additional notes to the balance sheet – Note 2 – Other intangible assets” in the notes to the consolidated financial statements, capitalised development costs, less any related tax credits, are recognised at cost less accumulated amortisation and less any impairment losses. At the end of each financial year or wherever indications of a loss of value appear, management estimates forecast revenue and gross margins for each game. Whenever the recoverable amount of a game is less than its net carrying amount, an impairment loss is recognised.

Game development costs are amortised over the games’ expected lifetimes using the diminishing balance method based on the associated expected sales, whether the game is sold physically or digitally, from its commercial release date. Game amortisation periods vary according to market trends and sales prospects.

In our view, the risk of the net carrying amount of those assets exceeding their recoverable amount and that the corresponding impairment is not recognised on the balance sheet is a key audit matter, because of the importance of the item in the financial statements and management’s use of judgement in estimating future games sales.

Audit procedures implemented to address the risks identified

We assessed whether the methods used by the Company comply with accounting standards in force.

We familiarised ourselves with the processes used to monitor game development costs, the definition of the amortisation method and the determination of the recoverable amounts of games.

We assessed the consistency of the most recent amortisation methods used, comparing them with analysis of revenue generated since launch for a representative sample of games.

We selected games currently under development and games already on the market that had material capitalised development costs at 31 March 2020 and, for each game selected, we:

- checked whether the amortisation methods determined by management were correctly applied, depending on the game's launch date;

- assessed whether estimates of future games sales used to determine the related recoverable amounts were reasonable, and in particular whether they were consistent with actual past figures for similar games.

We also assessed the appropriateness of information provided in the notes to the consolidated financial statements.

Recognition of video games publishing revenue:

Risk identified

As stated in Note 2.2.1 to the consolidated financial statements, 2019/20 annual consolidated revenue totalled €129.4 million, up 14.4% compared with 2018/2019, due in particular to strong growth in the video games publishing business, in which revenue totalled €69.4 million in 2019/20. Publishing revenue growth was driven mainly by digital sales, which accounted for 69.2% of total Publishing revenue (see Note 2.3.6 to the consolidated financial statements).

As stated in Note 2.4.2. – Note 17 "Revenue", revenue generated by sales of physical video games is recognised on the date on which the products are delivered to distributors minus, as the case may be, an estimate of the price reductions that NACON will apply if sales in retailers' stores prove insufficient.

As regards digital game sales, revenue is recognised on the date the content is made available to console manufacturers or platforms. NACON acts as a principal with respect to console manufacturers and platforms, to which the games masters are sent (and not with respect to end-users) and therefore recognises the amounts specified in contracts with those console manufacturers and platforms in revenue (and not the amounts billed to end-customers). Guaranteed amounts are recognised in revenue as soon as the games master is made available, and additional amounts (royalties) depending on future console and platform sales are recognised when those sales take place. At the end of the period, the Company estimates the royalty revenue to be recognised based on sales generated on each platform. As the case may be, prepaid income is recognised to defer the recognition as revenue of amounts invoiced to console manufacturers and platforms with respect to sales whose content has not yet been made available to clients at the closing date. Revenue is also a key indicator of the Group's performance.

For these reasons, we took the view that the recognition of revenue from video games publishing is a key audit matter.

Audit procedures implemented to address the risks identified

We assessed whether the revenue recognition principles applied by NACON are consistent with IFRS 15.

In particular, we looked at whether NACON fulfilled its performance obligations when delivering games masters to console manufacturers and platforms and whether the contracts included distinct obligations (new content, free updates, premium downloadable content and other add-ons that extend the game's life) that would be fulfilled at a later date.

We also assessed whether estimates used in determining revenue were reasonable:

- As regards estimates of price reductions on physical game sales, which are becoming smaller as digital sales take greater importance, we assessed whether the provision set aside at 31 March 2020 as a reduction in revenue is consistent with the use of past provisions and discounts actually granted;

- As regards estimates of platform digital sales used to determine royalties recognised in revenue but still to be invoiced at 31 March 2020, we obtained data from the platforms where possible or alternatively we assessed whether management estimates were consistent with actual figures in the past.

We also assessed, on a sample basis, the existence of revenue from digital sales during the period by obtaining signed contracts, evidence that content had been provided and evidence that revenue had been collected as the case may be.

We also assessed the appropriateness of information provided in the notes to the consolidated financial statements.

Specific verifications

We also carried out specific verifications, as required by statutory and regulatory texts, of information relating to the group provided in the Board of Directors' management report finalised on 25 May 2020, in accordance with professional standards applicable in France.

We are satisfied that the information is fairly stated and agrees with the consolidated financial statements.

As regards events occurring and information coming to light after the accounts closing date in relation to the Covid-19 crisis, management has informed us that it will make a statement on them in the Shareholders' General Meeting convened to vote on the financial statements.

We attest that the consolidated declaration of extra-financial performance, required under Article L. 225-102-1 of the French Commercial Code, is included in the Group's management report, it being stipulated that, in accordance with the provisions of Article L. 823-10 of this Code, we have not verified the fair presentation or consistency with the consolidated financial statements of the information provided in this declaration, which must be the subject of a report by an independent third party.

Information resulting from other statutory and regulatory obligations

Appointment of the statutory auditors

KPMG SA was appointed as statutory auditor of NACON SA by the articles of association when the Company was formed on 12 July 2019.

Fiduciaire Métropole Audit was appointed as statutory auditor of NACON SA by the Shareholders' General Meeting of 22 January 2020.

At 31 March 2020, KPMG and FMA were in their first year of their appointment as statutory auditors.

Responsibilities of management and persons involved in corporate governance in relation to the consolidated financial statements

Management is responsible for preparing consolidated financial statements that present a true and fair view, in accordance with IFRSs as endorsed by the European Union, and for setting up the internal controls it deems necessary for preparing consolidated financial statements that do not contain any material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for presenting in those statements any necessary information relating to its status as a going concern, and for applying the accounting concept of going concern, except where there is a plan to liquidate the Company or discontinue its operations.

The Audit Committee is responsible for monitoring the process of preparing the financial information and for monitoring the effectiveness of internal control and risk management systems, and internal audit systems as the case may be, as regards procedures relating to the preparation and treatment of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors in relation to auditing the consolidated financial statements

Audit objective and procedure

Our responsibility is to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free of material misstatement. Reasonable assurance means a high level of assurance, although there is no guarantee that an audit conducted in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error, and are regarded as material when they can reasonably be expected, individually or together, to influence the economic decisions that users of the financial statements take on the basis of those statements.

As stated by Article L. 823-10-1 of the French Commercial Code, our audit assignment does not involve guaranteeing the viability of your company or the quality of its management.

When conducting an audit in accordance with professional standards in France, statutory auditors use their professional judgement throughout the audit. In addition:

- they identify and assess the risks that the consolidated financial statements contain material misstatements, whether through fraud or error, define and implement audit procedures to address those risks, and collect information that they regard as sufficient and appropriate as the basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or the circumvention of internal controls;

- auditors familiarise themselves with the internal controls relevant to the audit, in order to define audit procedures appropriate to the situation in hand, and not in order to express an opinion on the effectiveness of internal control;

- they assess the appropriateness of accounting policies adopted and the reasonableness of accounting estimates made by management, along with information about those estimates provided in the consolidated financial statements;

- they assess whether management has applied appropriately the going concern convention and, based on information collected, whether or not there is a material uncertainty arising from events or circumstances likely to call into question the company's ability to continue as a going concern. That assessment is based on information collected until the date of the auditors' report, although it should be borne in mind that subsequent circumstances or events may call into question the company's status as a going concern. If the auditors conclude that there is a material uncertainty, they draw the attention of those reading their report to information provided in the consolidated financial statements in relation to that uncertainty or, if that information is not provided or is not relevant, they certify the financial statements with reservations or refuse to certify them;

- they assess the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements reflect the underlying operations and events so that they give a true and fair view;

- regarding financial information relating to persons or entities included in the scope of consolidation, they collect the information that they regard as sufficient and appropriate to express an opinion on the consolidated financial statements. The statutory auditors are responsible for managing, supervising and conducting the audit of the consolidated financial statements and for the opinion expressed on those financial statements.

Reporting to the Audit Committee

We submit a report to the Audit Committee that includes the extent of audit work and the schedule of work performed, along with the conclusions arising from our work. We also make it aware, as the case may be, of any material internal control weaknesses that we have identified regarding procedures for preparing and treating accounting and financial information.

The information in the report to the Audit Committee includes what we regard as the main risks of material misstatements with respect to the audit of the year's consolidated financial statements, and which are therefore the key audit matters. It is our role to describe those matters in the present report.

We also provide the Audit Committee with the declaration provided for by Article 6 of Regulation (EU) No 537-2014 confirming our independence, within the meaning of the rules applicable in France, as determined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of conduct of the statutory audit profession in France. As the case may be, we discuss with the Audit Committee any risks to our independence and the safeguard measures applied.

The statutory auditors,

Paris la Défense, 18 June 2020	Roubaix, 18 June 2020
KPMG Audit *Department of KPMG SA*	Fiduciaire Métropole Audit
Stéphanie Ortega *Partner*	François Delbecq *Partner*

18.4 PROFORMA FINANCIAL INFORMATION

None.

18.5 DIVIDEND POLICY

18.5.1 Dividend distribution policy

Since the Group intends to invest large amounts in developing video games in order to underpin its growth, it is not planning to distribute any dividends in the near future.

18.5.2 Dividends paid in the last three financial years

None.

18.6 LEGAL AND ARBITRATION PROCEEDINGS

One industrial property dispute, which was commenced more than 10 years ago by one of the Company's suppliers, is still ongoing. Overall, the latest positive developments in the Group's defence have resulted in judicial decisions that are favourable to the Company, significantly restricting the rights of the claimant and thus limiting its claim for damages. Management therefore remains confident about its ability to resolve this litigation without affecting its financial position. With respect to this dispute, the Company has set aside a provision of €530 thousand (corresponding to a judgment made against the Company requiring it to pay €530 thousand on the ground of unfair competition). No additional provisions were set aside in the Group's financial statements on 31 March 2020. This situation is also justified by the fact that the products concerned are no longer sold by the Company in the relevant territories and have not been sold there for several years.

To the best of the Company's knowledge, at the date of the Universal Registration Document there are no pending or potential administrative, criminal, judicial or arbitration proceedings involving the Company and/or the Group that may have or have had in the past 12 months a material effect on the financial position or profitability of the Company and/or the Group.

Please refer to Note 12 to the statutory financial statements for the period ended 31 March 2020 and Note 14 to the consolidated financial statements for the period ended 31 March 2020 for information on all litigation involving the Company.

18.7 MATERIAL CHANGE IN THE FINANCIAL OR TRADING POSITION

Please see section 7.1.2 concerning the implications of the Covid-19 (coronavirus) crisis.

To the Company's knowledge, no other material change in the Group's financial position has taken place since 31 March 2020.

18.8 OTHER INFORMATION

18.8.1 Information required under France's economic modernisation act (LME) about supplier payment times and trade receivables

The table showing the maturity schedule of trade payables at 31 March 2020 is presented below. Late payments mainly correspond to:

- deductions applied pending credit notes relating to year-end discounts, price reductions or returns or merchandise,

- unpaid invoices raised by publishers under royalty agreements.

Invoices received and raised and due but not paid at the accounts closing date

in thousands of euros	Article D. 441-I-1: invoices received and due but not paid at the accounts closing date						Article D. 441-I-2: invoices raised and due but not paid at the accounts closing date					
	0 days (not due)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and above	Total (1 day or more)	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days and above	Total (1 day or more)
(A) Number of days overdue												
Number of invoices concerned	263					392	757					4,803
Total ex-VAT amount of invoices concerned	7,149	4,928	117	224	1,351	6,619	9,049	3,273	2,168	4,142	3,995	13,578
Percentage of total ex-VAT purchases during the period	20.59%	14.19%	0.34%	0.64%	3.89%	19.06%						
Percentage of ex-VAT revenue in the period							18.44%	6.67%	4.42%	8.44%	8.14%	27.67%
(B) Invoices excluded from (A) relating to disputed or unrecognised payables and receivables												
Number of invoices excluded							-					
Total amount of invoices excluded							-					
(C) Reference payment periods used (contractual or statutory - article L. 441-6 or article L. 443-1 of the French Commercial Code)												
Payment periods used to calculate late payments	■ Contractual payment periods: Each invoice is monitored according to its own contractual payment period. That period generally varies between 10 and 45 days after the month in which the invoice was raised.						■ Contractual payment periods: Each invoice raised is monitored according to its own contractual payment period. That period generally varies between 0 and 45 days after the month in which the invoice was raised for sales of merchandise.					

18.8.2 Table of the Company's results over the past five years

in euros	2019/20	2018/19	2017/18	2016/17	2015/16
<u>1 - Share capital at year-end</u>					
Share capital	84,908,919				
Number of ordinary shares in issue	84,908,919				
Number of preferred shares in issue					
Maximum number of shares that may be issued in the future					
- Through the conversion of bonds					
- Through the exercise of stock options					
- Through bonus share awards					
- Through the exercise of warrants					
<u>2 - Transactions and results for the financial year</u>					
Revenue excluding VAT	49,067,695				
Income before tax, employee profit sharing, depreciation, amortisation and provisions	2,430,348				
Income tax	24,399				
Employee profit-sharing in respect of the financial year					
Income after tax, employee profit sharing, depreciation, amortisation and provisions	1,396,037				
Dividends paid					
<u>3 - Earnings per share</u>					
Income after tax and employee profit sharing but before depreciation, amortisation and provisions	0.03				
Income after tax, employee profit sharing, depreciation, amortisation and provisions	0.02				
Dividend paid per share					
<u>4 - Personnel</u>					
Number of employees	97				
Total payroll	2,191,299				
Amount paid with respect to employee benefits (social security, other social benefits, etc.)	949,211				

19.1 SHARE CAPITAL

19.1.1 Amount of share capital

At the date of this Universal Registration Document, the Company's share capital totalled €84,908,919, divided into 84,908,919 shares with par value of €1 each, fully paid up and of the same category.

The Company was incorporated only recently (on 18 July 2019). See section 19.1.7 regarding changes in NACON's share capital in its first year of existence.

19.1.2 Securities not representing capital

None.

19.1.3 Share buybacks

Authorisation

On 22 January 2020, the Company's shareholders, before the Company's shares were admitted for trading on a regulated market, authorised the Board of Directors to implement, for a period of eighteen months from the meeting, a programme to buy back the Company's shares in accordance with articles L. 225-209 and following of the French Commercial Code and market practices accepted by the Autorité des Marchés Financiers.

The main terms of that authorisation are as follows:

- the maximum amount of shares that the Company may purchase under this authorisation must not exceed 10% of the Company's share capital at any time, it being stipulated that (i) the maximum number of the Company's shares that may be allocated for retention and subsequent use as payment or in exchange as part of a merger, demerger or asset transfer may not exceed 5% of the Company's share capital and (ii) in the event that shares are purchased through a liquidity agreement, the number of shares taken into account when calculating compliance with the aforementioned limit (10% of the share capital) shall correspond to the number of shares purchased minus the number of shares sold during the period of this authorisation,

- the maximum purchase price per share shall be 300% of the price of shares offered to the public through the IPO, as mentioned in the press release regarding the final terms of the offering of the Company's shares and their admission for trading on Euronext Paris (excluding expenses). In the event of a transaction involving the capital, including through the capitalisation of reserves and/or a share split or reverse split, or any other transaction affecting the share capital or equity, the Board of Directors will have all powers to adjust the aforementioned maximum purchase price to reflect the impact of those transactions on the value of each share.

The objectives will be as follows:

- to make a market for the Company's shares, including increasing their liquidity, through an investment service provider acting independently under the terms of a liquidity agreement that complies with a code of conduct recognised by the Autorité des Marchés Financiers,

- to honour obligations related to stock options, bonus share or employee savings programmes or other grants of shares to employees and/or corporate officers of the Company and/or companies and businesses related to it,

- to deliver shares upon the exercise of rights attached to transferable securities giving access, immediately or in future, to the Company's capital, and to carry out all transactions to cover the Company's obligations in respect of those securities, in compliance with regulations in force,

- to retain shares with a view to using them subsequently for payment or exchange in the context of any acquisition,

- to cancel shares and carry out the related capital reduction, and

- more generally, to carry out any transaction in accordance with regulations in force and any market practice that may be accepted by the Autorité des Marchés Financiers.

From the time that the Company's shares were admitted for trading on the Euronext Paris regulated market, the Company has been bound by the following disclosure requirements in relation to share buybacks:

1) before the share buyback programme is implemented: publication of a description of the share buyback programme (effectively and fully distributed electronically by a primary information provider and posted online on the Company's website);

2) during the share buyback programme: publication by the seventh day of trading following the transaction's execution date by posting information online on the Company's website (excluding transactions carried out by an investment service provider as part of a liquidity agreement). Monthly reporting by the Company to the AMF;

3) each year: presentation of an implementation report regarding the buyback programme and the use of shares purchased in the Board of Directors' report to the shareholders' general meeting.

Liquidity agreement

A liquidity agreement was formed in 2019/20 with Louis Capital Markets UK LLP, in accordance with the AMAFI code of conduct. This one-year agreement, renewable by tacit agreement, took effect on 27 March 2020 in accordance with the Autorité des Marchés Financiers decision no. 2018-01 of 2 July 2018, applicable since 1 January 2019, which establishes liquidity agreements relating to equity securities as an accepted market practice.

For the implementation of that agreement, a cash sum of €400,000 was allocated to the liquidity account.

On 31 March 2020, the Company held 15,960 of its own shares, representing around 0.02% of the Company's current share capital, through its liquidity agreement with Louis Capital Markets UK LLP. The total par value of those shares was €15,960.

Period	Balance at start of period	Purchases	Contributions	Sales	Balance at end of period
Mar. 2018 - Mar. 2019					**0**
Mar. 2019 - Mar. 2020		16,142		182	**15,960**

Period	Purchases	Sales
Mar. 2018 - Mar. 2019		
Mar. 2019 - Mar. 2020	4.6764	5.0428

19.1.4 Securities giving access to the capital

None.

19.1.5 Authorised unissued share capital

The Company's shareholders were asked, before the Company's shares were admitted for trading on a regulated market, to discuss the following financial grants of authority:

Grant of authority	**Validity period**	**Upper limit (par value)**	**Method of determining the price**	**Used**
Grant of authority to the Board of Directors to issue, with shareholders' preferential subscription rights withheld, ordinary shares in the Company and securities giving access to the Company's capital through a public offering (17th resolution)	18 months	*€20 million (1)*	*(2)*	*Board meeting of 28/02/2020 Issue of 18,181,819 shares Capital increase of €18,181,819*
Grant of authority to the Board of Directors to issue ordinary shares in the Company and securities giving access to the Company's capital, with shareholders' preferential subscription rights maintained (18th resolution)	18 months	*€20 million (1)*		
Grant of authority to the Board of Directors to issue, with shareholders' preferential subscription rights withheld, ordinary shares in the Company and securities giving access to the Company's capital as part of an offer referred to in Article L. 411-2(1) of the French Monetary and Financial Code (19th resolution)	18 months	*€10 million (1) Subject to a limit of 20% of the capital per 12-month period*	*(3)*	
Authorisation given to the Board of Directors, in the event of a capital increase with shareholders' preferential subscription rights withheld or maintained, to increase the number of securities to be issued (20th resolution)	18 months	*subject to a limit of 15% of the initial issue amount*	*same price as the initial issue*	*Board meeting of 26/03/2020 Issue of 1,629,112 shares Capital increase of €1,629,112*
Authorisation to be granted to the Board of Directors, in the event of an issue of ordinary shares or any securities with shareholders' preferential subscription rights withheld, to determine the issue price up to a limit of 10% of the share capital (21st resolution)	18 months	*subject to a limit of 10% of the share capital (1)*	*(4)*	
Grant of authority to the Board of Directors to decide upon one or more capital increases through the capitalisation of premiums, reserves, earnings or other (22nd resolution)	18 months	*€5 million (1)*		
Grant of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's capital in consideration for contributions in kind consisting of equity securities and other securities giving access to the capital of third-party companies other than through a public exchange offer (23rd resolution)	18 months	*€10 million (1) subject to a limit of 10% of the share capital existing at the time the Board of Directors uses the grant of authority*		

Grant of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's capital in the event of a public offering including an exchange component initiated by the Company (24th resolution)	18 months	*€10 million (1)*		
Grant of authority to the Board of Directors to increase the share capital through an issue of shares reserved for members of a savings plan (25th resolution)	18 months	*€800,000 (1)*		
Authorisation to be granted to the Board of Directors to grant existing shares or shares to be issued in the Company free of charge to members of the Company's salaried staff and corporate officers and those of its subsidiaries within the meaning of article L. 233-3 of the French Commercial Code or to some of them (27th resolution)	38 months	*2% of the capital*		
Authorisation to be granted to the Board of Directors to set up a share buyback programme in accordance with Article L. 225-209 of the French Commercial Code (16th resolution)	18 months	*10% of the share capital.*	*10% of the share capital.*	
Authorisation to be granted to the Board of Directors to cancel some or all of the Company's shares held by the Company under the authorisation to buy back shares (28th resolution)	18 months	*10% of share capital in any 24-month period*	*10% of share capital in any 24-month period*	

(1) These amounts are not cumulative. The maximum upper limit of capital increases authorised by the Shareholders' General Meeting, in terms of par value, is €25 million. The combined par value of issues of debt securities and securities giving access to the Company's capital may not exceed €50 million. This cap does not apply to the debt securities referred to in Articles L. 228-40, L. 228-36 and L. 228-92 paragraph 3 of the French Commercial Code, the issue of which must be approved or authorised by the Board of Directors according to the terms set out in Article L. 228-40 of the French Commercial Code, or in other cases, according to terms determined by the Company in accordance with the provisions of Article L. 228-36 of the French Commercial Code;

(2) the issue price was determined as follows:

- for equity securities, it must be at least equal to the minimum provided for by the regulatory provisions applicable on the day of the issue (currently, the weighted average of prices in the three trading sessions prior to the start of the public offering within the meaning of regulation (EU) no. 2017/1129 of 14 June 2017, possibly with a discount of up to 10% in accordance with Article R. 225-119 of the French Commercial Code), after any adjustment of that amount to take account of any difference in dividend entitlement dates and

- for securities giving access to the Company's capital, it must be such that the sum immediately received, plus any amount received subsequently will, in respect of each of the Company's shares issued as a result of the issue of such securities, be at least equal to the minimum price as defined in the previous paragraph, after any adjustment of that amount, if necessary, to take account of the difference in dividend entitlement dates;

(3) the issue price of the Company's shares must be at least equal to the minimum provided for by the regulatory provisions applicable on the day of the issue (currently, the weighted average of prices in the three trading sessions prior to the start of the public offering within the meaning of regulation (EU) no. 2017/1129 of 14 June 2017, possibly with a discount of up to 10% in accordance with Article R. 225-119 of the French Commercial Code), after any adjustment of that amount to take account of any difference in dividend entitlement dates and (ii) the issue price of the securities giving access to the Company's capital must be such that the sum immediately received, plus any amount received subsequently will, in respect of each of the Company's shares issued as a result of the issue of such securities, be at least equal to the minimum price as defined in the previous paragraph, after any adjustment of that amount, if necessary, to take account of the difference in dividend entitlement dates;

(4) the Board of Directors, which may delegate the authority, is authorised, subject to a limit of 10% of the Company's capital (at the transaction date) per 12-month period, to depart from the price-setting provisions set out in the aforementioned resolutions and may set the issue price of ordinary shares and/or securities giving immediate or eventual access to the capital as follows:

- the issue price of the ordinary shares must be at least equal to the volume-weighted average share price in the last three (3) stockmarket trading sessions before it is set, possibly with a discount of up to 20%, it being understood that it may not under any circumstances be less than the par value of a share in the Company on the date the shares concerned are issued;

- the issue price of the securities giving access to the capital must be such that the sum immediately received by the Company, plus any amount received subsequently by the Company shall in respect of each share issued as a result of the issue of such securities be at least equal to the issue price as defined in the paragraph above.

19.1.6 Information about the capital held by any member of the Company that is subject to an option or a conditional or unconditional agreement to put it under option

To the Company's knowledge, there are no call or put options or other undertakings in favour of the Company's shareholders or made by those shareholders relating to the Company's shares.

19.1.7 History of the share capital

Table summarising movements in the share capital and share premiums:

		Number of shares		Capital increase					
Date	Type of transaction	Number of shares issued	Total number of shares in issue	Share capital issued	Issue or contribution premium	Gross proceeds from the capital increase	Par value per share	Share capital after transaction	Price per share
18/07/2019	Incorporation (contribution in cash)	10,000	10,000	€10,000	/	€10,000	€1.00	€10,000	€1.00
01/10/2019	Spin-off	65,087,988	65,097,988	€65,087,988	/	€65,087,988	€1.00	€65,097,988	€1.00
28/02/2020	Capital increase (public offering)	18,181,819	83,279,807	€18,181,819	€81,818,185.50	€100,000,004.50	€1.00	€83,279,807	€5.50
26/03/2020	Capital increase (over-allotment option)	1,629,112	84,908,919	€1,629,112	€7,331,004	€8,960,116	€1.00	€84,908,919	€5.50

19.2 MEMORANDUM AND ARTICLES OF ASSOCIATION

19.2.1 Corporate purpose (article 2 of the articles of association)

The Company's corporate purpose is as follows:

- the creation, design, development, production, publishing, promotion, operation, marketing and dissemination of technologies, applications and all IT, audiovisual and multimedia products, particularly video games, software and accessories, on any medium, and all related accessories,

- the design, development, production, rental, purchase and sale, import and export, and distribution, in any form, of all equipment, media, accessories and IT, multimedia and audiovisual products,

- advice, assistance and training relating to any of the aforementioned areas,

- the Company's involvement, in any way, directly or indirectly in any transactions that may relate to its purpose through the creation of new companies, contribution, subscription, acquisition or disposal of securities or ownership rights, merger or otherwise, creation, acquisition, rental, business leasing of any business operation or establishment; the obtaining, acquisition, exploitation or assignment of any processes and patents relating to those activities,

- and generally, all industrial, commercial, financial, civil, moveable or immoveable transactions, in France or abroad, in any form, that may be connected directly or indirectly to the corporate purpose or to any similar, connected or complementary purpose.

19.2.2 Rights, privileges and restrictions attached to the Company's shares

19.2.2.1 Voting rights (article 9.2 of the articles of association)

All fully paid-up shares that have been registered for at least two (2) years in the same shareholder's name shall carry double voting rights compared with the proportion of capital that they represent. To calculate the ownership period, no account is taken of the ownership period of the Company's shares prior to the date on which the Company's shares were admitted for trading on the Euronext Paris regulated market. In the event of a capital increase through the capitalisation of earnings, reserves or premiums or available provisions, double voting rights are granted to registered shares allotted free of charge to shareholders as soon as they are issued, in proportion to the shareholders' existing shares that already carry double voting rights.

Any share converted into bearer form or transferred to a new owner shall lose its double voting rights. However, a transfer arising from inheritance, the liquidation of the joint property of spouses, or inter vivos gifts to a spouse or relative entitled to inherit shall not result in the loss of double voting rights and shall not represent a break in the two (2) year period.

A merger or demerger involving the company shall not affect double voting rights that can be exercised within the receiving company if that company's articles of association allow for double voting rights.

19.2.2.2 Dividend rights and profits

Each share gives an entitlement to a proportion of the company's profits and assets, based on the percentage of the company's share capital that it represents.

19.2.2.3 Dividend limitation period

Dividends not claimed within 5 years from the payment date are time-barred and shall be paid over to the French government (Article L. 1126-1 of the French General Code of Public Property).

19.2.2.4 Entitlement to liquidating dividend

The liquidating dividend remaining after the par value of shares has been repaid shall be apportioned equally between all shares.

19.2.2.5 Preferential subscription rights

The Company's shares all carry preferential subscription rights in the event of capital increases.

19.2.2.6 Limits on voting rights

None.

19.2.2.7 Ownership disclosure thresholds

Provided that the Company's shares are admitted to trading in a regulated market, other than obligations to disclose crossings of ownership thresholds expressly provided for by legislative and regulatory provisions in force, any natural or legal person that comes to hold directly or indirectly, alone or in concert, a proportion of the capital or voting rights (calculated in accordance with Articles L. 233-7 and L. 233-9 of the French Commercial Code and the AMF's general regulation) equal to or more than 2.5% of the Company's capital or voting rights, or any multiple of that percentage, including if that proportion is more than the thresholds provided for by statutory and regulatory provisions, must notify the Company of (i) the number of shares and voting rights that the person holds, directly or indirectly, alone or in concert, (ii) the securities that may eventually give access to the Company's capital that the person holds, directly or indirectly, alone or in concert and the voting rights that may potentially be attached thereto, and (iii) similar shares in accordance with Article L. 233-9(1) and (4)-(8) of the French Commercial Code. That notification must take place by registered letter with acknowledgement of receipt, within [4] stockmarket trading days from the time the disclosure threshold concerned is crossed.

The information provided for above, in relation to any crossing of a threshold equal to a multiple of 2.5% of capital and voting rights, shall also be provided where the person's proportion of capital or voting rights falls below one of the aforementioned thresholds.

In the event that the aforementioned threshold notification obligation is not complied with and at the request, recorded in the minutes of the general meeting, of one or more shareholders representing at least 5% of the Company's share capital or voting rights, the shares above the threshold that should have been notified shall be stripped of their voting rights until the expiry of a period of two years beginning on the date on which notice was properly given.

19.2.2.8 Identifiable bearer shares

Fully-paid up shares may be in registered or bearer form, at the shareholder's discretion, except where they must be in registered form because of legislative and regulatory provisions in force.

Shares shall be recorded in an account in accordance with legislative and regulatory provisions in force.

The Company may at any time submit a request to the organisation in charge of clearing securities for information provided for by law relating to the identification of holders of securities conferring immediate or future entitlements to vote at its shareholder meetings and any restrictions on the securities.

19.2.2.9 Share buy-backs

See section 19.1.3.

19.2.3 Provisions allowing the delay, postponement or prevention of a change of control

The Company's articles of association contain no provisions allowing the delay, postponement or prevention of a change of control.

20. MATERIAL AGREEMENTS

For convenience, reference is made to a Sony accessories contract in various sections of this document, whereas in fact the term refers to a set of agreements formed with Sony.

Each new accessory developed for Sony gives rise to a licensing agreement (e.g. agreements for the ProController 2 and Compact controllers). Sony also operates through various entities covering different parts of the world (e.g. Sony Japan, Sony Europe and Sony America). As a result, a large number of agreements are formed with respect to each accessory and with each Sony group entity.

However, each of those agreements contains the same main provisions, i.e.:

- they have a renewable term of two or three years,
- Sony is remunerated via a fixed royalty in US dollars, determined in advance, for each accessory item sold. Less commonly, the royalty is a percentage of the accessory's selling price.
- NACON undertakes to comply with certain marketing elements proposed by Sony regarding the packaging of licensed accessories,
- since each Sony entity operates in a given geographical area, each agreement contains a list of countries in which the agreement applies (the "Territory"). Under a given agreement, NACON can only sell its licensed accessories within the countries of that Territory,
- the Sony or PlayStation licence granted to NACON is not exclusive and may be revoked at any time by Sony.
    - each party to the agreement may terminate it at any time in the event of a breach of contract, if one of the parties commences legal proceedings,
    - Sony may terminate the agreement unilaterally in situations including but not limited to the following:
        - NACON breaches the agreement in a way that cannot be resolved within 30 days,
        - a competitor of Sony becomes a shareholder of NACON,
        - NACON undergoes a change of control that, in Sony's opinion, could affect sales of the licensed accessories in the Territory or during the agreement,
        - the accessories produced by NACON no longer meet Sony's required quality standards,
- in the final six months of the licensing agreement, NACON undertakes not to increase production of accessories in order to sell all accessories produced before the end of the agreement,
- at the end of the licensing agreement, if NACON has unsold licensed Sony products in its inventories, they must be destroyed at NACON's expense.

Taking into account the foregoing, NACON believes that its accessories business volumes with Sony will continue or increase because of the strong partnership developed in the last few years.

21. DOCUMENTS AVAILABLE TO THE PUBLIC

All documents relating to the Company that are required to be made available to shareholders may be consulted at the Company's registered office. The agenda and draft resolutions to be submitted to shareholders in the Shareholders' General Meeting of 30 July 2020 are contained in the notice of meeting published on 24 June 2020 in the Bulletin des Annonces Légales Obligatoires (BALO). The notice of meeting is also available on the Company's website (*www.nacongaming.com*). See also Chapter 22, which contains the draft resolutions.

Universal Registration Documents may also be consulted on the Company's website (*www.nacongaming.com*) and the AMF's website (*www.amf-france.org*).

The following may also be consulted at the Company's registered office:

(a) The Company's memorandum and articles of association;

(b) All reports, letters and other documents and all historical financial information, assessments and statements made by an expert at the Company's request, part of which has been included or mentioned in the Universal Registration Document;

(c) The Company's historical financial information for each of the two financial years preceding the publication of the Universal Registration Document.

The Company intends to report its financial results in accordance with the requirements of laws and regulations in force. Since the Company's shares were admitted for trading on Euronext Paris, regulated information within the meaning of the AMF's general regulation has also been available on the Company's website.

22. DRAFT RESOLUTIONS ON THE AGENDA OF THE NEXT SHAREHOLDERS' GENERAL MEETING

ORDINARY BUSINESS

FIRST RESOLUTION
(Approval of the statutory financial statements for the financial year ending 31 March 2020)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the reports of the Board of Directors and the statutory auditors, approve the statutory financial statements for the year ended 31 March 2020 as presented, together with the business operations reflected or summarised therein,

approve the statutory financial statements for the financial year ended 31 March 2020 as presented, which show income of €1,396,037,

approve the amount of expenses that are not deductible for income tax purposes under Article 39(4) of the French General Tax Code, which amount to €7,391, along with the corresponding tax of €2,291.

SECOND RESOLUTION
(Approval of the consolidated financial statements for the financial year ended 31 March 2020)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the reports of the Board of Directors and the statutory auditors,

approve the consolidated financial statements for the year ended 31 March 2020 as presented, together with the business operations reflected or summarised therein.

THIRD RESOLUTION
(Appropriation of income for the year ended 31 March 2020)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors and having noted that net income for the financial year ended 31 March 2020 amounted to €1,396,037,

resolve to appropriate the income available for distribution as follows:

	(in euros)
Net income for the year	€1,396,037
Prior retained earnings (2018/19)	€0
Appropriation to the statutory reserve (5% of income)	€0
Income available for distribution	€1,396,037
Distribution	€0
New balance of the "Retained earnings" account	€1,396,037

resolve that in accordance with the undertaking to reinvest the Company's cash flows in developing its business, no dividend will be paid with respect to the 2019/20 financial year.

The Company was incorporated on 18 July 2019, and so in accordance with statutory provisions, no dividend has been paid since the Company was incorporated.

FOURTH RESOLUTION

(Approval of agreements covered by Article L. 225-38 and following of the French Commercial Code)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the statutory auditors' special report on agreements covered by Articles L. 225-38 and following of the French Commercial Code, **note** the conclusions of that report and **approve** the agreements mentioned in it.

FIFTH RESOLUTION

Approval of the remuneration policy for the Chairman/CEO

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report on corporate governance prepared by the Board of Directors,

approve, in accordance with Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the overall remuneration and benefits in kind as presented in the aforementioned report and awarded to the Chairman/CEO in respect of his role as corporate officer.

SIXTH RESOLUTION

(Approval of the remuneration policy for the Chief Operating Officer)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report on corporate governance prepared by the Board of Directors,

approve, in accordance with Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the overall remuneration and benefits in kind as presented in the aforementioned report and awarded to the Chief Operating Officer in respect of his role as corporate officer.

SEVENTH RESOLUTION

(Approval of the remuneration policy for the directors)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report on corporate governance prepared by the Board of Directors,

approve, in accordance with Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the overall remuneration and benefits in kind as presented in the aforementioned report and awarded to the directors in respect of their role as corporate officers.

EIGHTH RESOLUTION

(Approval of the report on the remuneration of corporate officers prepared in accordance with Article L. 225-37-3(I) of the French Commercial Code)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report on corporate governance prepared by the Board of Directors, in accordance with Article L. 225-100(II) of the French Commercial Code,

approve the report on the remuneration of corporate officers including the information mentioned in Article L. 225-37-3 of the French Commercial Code, as presented in the report on corporate governance.

NINTH RESOLUTION

(Approval of the elements making up the total remuneration and benefits in kind paid or awarded to the Chairman/CEO)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report on corporate governance prepared by the Board of Directors, in accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code,

Approve the fixed and variable elements making up the total remuneration and benefits in kind paid or awarded with respect to the financial year ended 31 March 2020 to Alain Falc, as presented in the aforementioned report and awarded in respect of his role as Chairman/CEO.

TENTH RESOLUTION

(Approval of the elements making up the total remuneration and benefits in kind paid or awarded to the Chief Operating Officer)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report on corporate governance prepared by the Board of Directors, in accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code,

Approve the fixed and variable elements making up the total remuneration and benefits in kind paid or awarded with respect to the financial year ended 31 March 2020 to Laurent Honoret, as presented in the aforementioned report and awarded in respect of his role as Chief Operating Officer.

ELEVENTH RESOLUTION

(Appointment of Bpifrance Investissement as Director)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors,
resolve to appoint as director **Bpifrance Investissement**, a simplified joint-stock corporation *(société par actions simplifiée)* with share capital of €20,000,000, whose registered office is located at 27-31, avenue du Général Leclerc, 94710 Maisons-Alfort Cedex, registered with the Créteil trade and companies register under number B 433 975 224, acting as the asset management company for the Bpifrance Capital I fund, for a term of six (6) years, i.e. until the end of the general shareholders' meeting convened in 2026 to vote on the financial statements for the financial year ended 31 March 2026,

note that Bpifrance Investissement has appointed as its permanent representative Nicolas Parpex, investment manager, born 3 March 1980 in Saint-Cyr-L'Ecole and residing at 6-8 boulevard Haussmann, 75009 Paris.

TWELFTH RESOLUTION

(Appointment of Anne Badot Janssen as Director)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors,

resolve to appoint as director **Ms Anne Badot Janssen**, born 6 November 1977 in Lille, of French nationality and residing at 29 rue de Seclin, 59034 Avelin, for a term of six (6) years, i.e. until the end of the general shareholders' meeting convened in 2026 to vote on the financial statements for the financial year ended 31 March 2026,

THIRTEENTH RESOLUTION
(Determination of remuneration awarded to members of the Board of Directors)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report on corporate governance prepared by the Board of Directors,

resolve to set at one hundred thousand euros (€100,000) the total annual amount of remuneration for the current financial year (2020/21) awarded to the Board of Directors, it being stipulated that this decision applicable to the current financial year (2020/21) will be maintained until the shareholders in a Shareholders' General Meeting decide otherwise.

FOURTEENTH RESOLUTION
(Authorisation to be granted to the Board of Directors to arrange for the Company to buy back its own shares in accordance with Article L. 225-209 of the French Commercial Code)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors,

authorise the Board of Directors, with the power of sub-delegation, in accordance with Articles L. 225-209 and following of the French Commercial Code, European Commission regulation 596/2014 of 16 April 2014 and the European regulations related to it, Article L. 451-3 of the French Monetary and Financial Code and the General Regulation of the Autorité des Marchés Financiers, to buy or arrange the purchase of the Company's shares under a share buyback programme,

resolve that:

- the maximum purchase price (excluding expenses) shall not exceed fifteen euros (€15) per share, it being stipulated that in the case of transactions in relation to the share capital, particularly through the capitalisation of reserves followed by the creation and awarding of shares free of charge, and/or share splits or reverse share splits, this price shall be adjusted accordingly; and

- the maximum amount of funds earmarked for this share buyback programme shall not exceed ten million euros (€10,000,000).

resolve that the Company's purchases of shares may involve a number of shares such that:

- the maximum number of shares that may be purchased under this authorisation shall not exceed ten per cent (10%) of the total number of shares making up the Company's share capital and, as regards purchases of shares with a view to retaining them and subsequently using them as payment or in exchange in a merger, demerger or asset transfer transaction, five per cent (5%) of the total number of shares making up the Company's share capital, it being stipulated that (i) these limits apply to an amount of the Company's share capital that will be, as appropriate, adjusted to take into account transactions affecting the share capital after this Shareholders' General Meeting and (ii) where the shares are purchased in order to support liquidity subject to conditions defined by the General Regulation of the Autorité des Marchés Financiers, the number of shares taken into account in calculating the aforementioned limit of ten per cent (10%) shall correspond to the number of shares purchased minus the number of shares sold during the authorisation period; and

- purchases made by the Company shall not under any circumstances cause it to hold, at any time, directly or indirectly, more than ten per cent (10%) of its share capital.

Such share purchases may be carried out in view of any use permitted under the applicable laws or regulations, and in particular in order to:

- make a market for the Company's shares, including increasing their liquidity, through an investment service provider acting independently under the terms of a liquidity agreement that complies with a code of conduct recognised by the Autorité des Marchés Financiers,
- honour obligations related to stock options, bonus share or employee savings programmes or other grants of shares to employees and/or corporate officers of the Company and/or companies and businesses related to it,

- deliver shares upon the exercise of rights attached to transferable securities giving access, immediately or in future, to the Company's capital, and to carry out all transactions to cover the Company's obligations in respect of those securities, in compliance with regulations in force,
- retain shares with a view to using them subsequently for payment or exchange in the context of any acquisition,
- cancel shares and carry out the related capital reduction, subject to the adoption of the twenty-fourth resolution below, and
- more generally, carry out any transaction in accordance with regulations in force and any market practice that may be accepted by the Autorité des Marchés Financiers,

resolve that these purchase, disposal, exchange or transfer transactions may be carried out by any means, i.e. on a regulated market, on a multilateral trading facility, through a systematic internaliser or over the counter, including through the purchase or disposal of blocks of shares, or through the use of financial instruments such as derivative financial instruments traded on a regulated market, on a multilateral trading facility, through a systematic internaliser or over the counter or through the use of warrants, in a manner authorised by the legislative and regulatory provisions in force on the date of the transactions in question and at the times that the Company's Board of Directors or person acting under the authority of the Board of Directory shall determine. All shares involved in the share buyback programme may be transferred as blocks of shares,

those transactions may be carried out at any time in accordance with the regulations in force, including during a public offer initiated by the Company or for the Company's securities, subject to the relevant statutory and regulatory provisions,

grant authority to the Board of Directors, with the power to sub-delegate in accordance with Article L. 225-209 of the French Commercial Code, if the shares' par value is altered, if the capital is increased through a capitalisation of reserves, if bonus shares are granted, if a share split or reverse share split takes place, if a distribution of reserves or any other assets takes place, if the capital is redeemed, or if any other transaction involving the Company's equity takes place, to adjust the aforementioned purchase price to take account of the impact of such transactions on the value of each share,

grant all powers to the Board of Directors, with the power to sub-delegate in accordance with Article L. 225-209 of the French Commercial Code, to decide and carry out the implementation of this authorisation, to specify if necessary its terms and in particular to place all orders on- or off-market, to allocate or reallocate the shares purchased to the various objectives pursued in accordance with the applicable legislative and regulatory provisions, to form all agreements particularly in relation to registering purchases and sales of shares, to carry out all formalities and declarations with respect to all organisations, including the Autorité des Marchés Financiers, and in general to do what is necessary to complete transactions carried out under this authorisation,

grant powers to the Board of Directors, if the law or the Autorité des Marchés Financiers were to extend or supplement the authorised objectives of share buyback programmes, to bring to the public's attention, in accordance with the applicable statutory and regulatory provisions, any changes to the programme as regards the amended objectives;

note that the Board of Directors shall report to shareholders, in the next Shareholders' General Meeting, information relating to the performance of share buyback transactions authorised by this Shareholders' General Meeting, including the number and price of shares purchased and the volume of shares used,
this authorisation is given for eighteen (18) months from the date of this Shareholders' General Meeting,

the unused part of the authorisation granted in the 22 January 2020 Shareholders' General Meeting, through its sixteenth resolution, is terminated with immediate effect.

FIFTEENTH RESOLUTION

(Powers to carry out legal formalities)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, grant all powers to holders of copies or excerpts of this report to carry out all legal formalities.

EXTRAORDINARY BUSINESS

SIXTEENTH RESOLUTION

(Grant of authority to the Board of Directors to issue ordinary shares in the Company and securities giving access to the Company's capital, with shareholders' preferential subscription rights maintained)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors and the special report of the statutory auditor, in accordance with Articles L. 225-129 to L. 225-129-6, L. 228-91 to L. 228-97 and following of the French Commercial Code,

grant, with the power to sub-delegate in accordance with statutory and regulatory conditions, their authority to decide, on one or more occasions, at the time or times that they shall determine, in the amounts that they shall determine, both in France and abroad, to issue, with preferential subscription rights maintained, shares and any other securities, including through the award of share subscription warrants free of charge, giving access to the capital of the Company or of any company that directly or indirectly holds more than half its capital or of which it directly or indirectly holds more than half the capital, with such shares conferring the same rights as existing shares, subject to their dividend entitlement date, it being stipulated that in the event of a capital increase in the form of an award of shares free of charge, rights not representing a whole number of shares shall not be tradable or transferable and the corresponding equity securities shall be sold and the proceeds from their sale shall be allocated to rights-holders within the timeframe provided for by regulations,

resolve that any issue of preference shares and securities giving access to preference shares is expressly excluded,

resolve that the total par value of share capital increases that may be carried out immediately and/or in the future under this grant of authority may not exceed ten million euros (€10,000,000) or the equivalent of that amount in the event of an issue in a foreign currency or units of account established by reference to several currencies, it being stipulated that this amount will count towards the overall par value limit provided for in the twenty-second resolution of this Shareholders' General Meeting and that this overall par value amount does not take into account adjustments that may be made in accordance with applicable statutory and regulatory provisions and, as the case may be, contractual stipulations that provide for other types of adjustment, in order to preserve the rights of holders of securities or other rights giving access to the capital,

also grant authority to the Board of Directors to decide to issue securities conferring an entitlement to the allotment of debt securities,

resolve that the overall par value of debt securities, giving access to the Company's share capital or other debt securities, that may be issued under this grant of authority, shall be a maximum of thirteen million euros (€13,000,000) or the equivalent of that amount in the event of an issue in a foreign currency or units of account established by reference to several currencies, it being stipulated that:

- this amount will count towards the overall par value limit provided for in the twenty-second resolution,
- where appropriate, this amount will be increased by any above-par redemption premium,
- this limit does not apply to debt securities referred to in Articles L. 228-40, L. 228-36 and L. 228-92 paragraph 3 of the French Commercial Code, the issue of which must be approved or authorised by the Board of Directors according to the terms set out in Article L. 228-40 of the French Commercial Code, or in other cases, according to terms determined by the Company in accordance with the provisions of Article L. 228-36 of the French Commercial Code,

resolve that shareholders may exercise, in the manner provided for by the law, their preferential subscription rights by irreducible entitlement. The Board may also grant shareholders, in proportion to their subscription rights and subject to the extent of their applications, rights to subscribe a number of securities greater than that resulting from their irreducible entitlements but with allocations subject to reduction. If subscriptions by irreducible entitlement and any subscriptions made using reducible subscription rights, where the Board of Directors has made such subscriptions possible, have not covered the entire issue of shares or other securities, the Board of Directors may, in the order it shall determine, use each option available under Article L. 225-134 of the French Commercial Code, or only certain of those options,

state that this grant of authority entails, by operation of law and for the benefit of holders of securities issued under this resolution and that give access to the Company's capital, the surrender by shareholders of their preferential right to subscribe the shares to which those securities give an entitlement,

resolve that the sum received or to be received by the Company in respect of each share issued under this grant of authority shall be at least equal to the par value of the share on the date it is issued,

give all powers to the Board of Directors, with the power to sub-delegate in accordance with statutory and regulatory conditions, to implement this grant of authority, and particularly to:

- determine the price, arrangements, issue dates, dividend entitlement dates and arrangements for paying up securities, as well as the form and characteristics of the securities to be issued,
- suspend, as the case may be, the exercise of rights attached to securities to be issued in cases and subject to limits provided for by regulatory and contractual provisions,
- as the case may be, in suspending such exercise, note the completion of the resulting capital increase, carry out any adjustments in order to take into account the transaction's impact on the Company's capital and determine the arrangements under which the rights of holders of securities giving access to the share capital will be preserved in future in accordance with statutory and regulatory provisions,
- charge any amount to the issue premium(s), including fees arising from issues, and generally make any necessary arrangements and form any agreements to complete the proposed issues and seek the listing of the securities issued,

resolve that, in the event that debt securities are issued, the Board of Directors will have all powers, with the power of sub-delegation in accordance with statutory and regulatory provisions, to take steps on terms set out by the law including:

- determining their terms, conditions and characteristics, including whether or not they are subordinated,
- setting their interest rate, issue currency, term to maturity, fixed or variable redemption price with or without a premium, amortisation arrangements as a function of market conditions and the conditions under which the securities shall confer entitlement to the Company's ordinary shares,

note that, in the event that the Board of Directors uses the authority granted to it pursuant to this resolution, it shall report to the shareholders in the next ordinary Shareholders' General Meeting, as required by law and regulations, on the use of the authority granted by this resolution,

The authority thus granted to the Board of Directors is valid for 18 months from the time of this Shareholders' General Meeting,

the unused part of the authorisation granted in the 22 January 2020 Shareholders' General Meeting, through its eighteenth resolution, is terminated with immediate effect.

SEVENTEENTH RESOLUTION

(Authorisation given to the Board of Directors, in the event of a capital increase with shareholders' preferential subscription rights withheld or maintained, to increase the number of securities to be issued)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors and the special report of the statutory auditor, in accordance with Article L. 225-135-1 of the French Commercial Code:

authorise the Board of Directors, with the power to sub-delegate in accordance with statutory and regulatory provisions, to increase the number of securities to be issued in each issue with preferential subscription rights maintained or withheld decided under the sixteenth resolution of this meeting, within 30 days from the closing date for applications, up to a maximum of 15% of the initial issue and at the same price as the price applied to the initial issue,

resolve that the total par value of the capital increases that may be carried out under this delegation shall count towards the maximum par value of capital increases determined by the sixteenth resolution above, the authorisation granted to the Board of Directors under this resolution shall be valid for 18 months from the date of this meeting,

the unused part of the authorisation granted in the 22 January 2020 Shareholders' General Meeting, through its twentieth resolution, is terminated with immediate effect.

EIGHTEENTH RESOLUTION

(Grant of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's capital in consideration for contributions in kind consisting of equity securities and other securities giving access to the capital of third-party companies other than through a public exchange offer)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors and the special report of the statutory auditor, in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-35, L. 225-147 and L. 228-91 and following of the French Commercial Code,

grant powers, with the power to sub-delegate in accordance with statutory and regulatory provisions, to the Board of Directors to decide to issue shares and any other securities giving access to the Company's capital, in order to pay for contributions in kind to the Company and consisting of equity securities or securities giving access to the capital, where the provisions of article L. 225-148 of the French Commercial Code are not applicable, and resolve, insofar as is necessary, to withhold, in favour of the holders of those shares, shareholders' preferential rights to subscribe to those shares and securities to be issued,

resolve that the total par value of share capital increases that may be carried out under this grant of authority (i) may not exceed eight million five hundred thousand euros (€8,500,000) or 10% of the Company's share capital at the time the Board of Directors uses this grant of authority and (ii) will count towards the overall par value limit provided for in the twenty-second resolution of this general meeting, to which shall be added, as the case may be, the amount of additional shares to be issued to preserve, in accordance with applicable statutory and regulatory provisions and, as the case may be, applicable contractual stipulations, the rights of holders of securities and other rights giving access to the capital,

resolve that any issue of preference shares and securities giving access to preference shares is expressly excluded,

also grant all powers to the Board of Directors to decide to issue securities conferring rights to the allotment of debt securities,

resolve that the overall par value of debt securities, giving access to the Company's share capital or other debt securities, that may be issued under this grant of authority, shall be a maximum of thirteen million euros (€13,000,000) or the equivalent of that amount in the event of an issue in a foreign currency or units of account established by reference to several currencies, it being stipulated that:

- this amount will count towards the overall par value limit provided for in the twenty-second resolution,
- where appropriate, this amount will be increased by any above-par redemption premium,
- this limit does not apply to debt securities referred to in Articles L. 228-40, L. 228-36 and L. 228-92 paragraph 3 of the French Commercial Code, the issue of which must be approved or authorised by the Board of Directors according to the terms set out in Article L. 228-40 of the French Commercial Code, or in other cases, according to terms determined by the Company in accordance with the provisions of Article L. 228-36 of the French Commercial Code,

state that this grant of authority entails, by operation of law and for the benefit of holders of securities issued under this resolution and that give access to the Company's capital, the surrender by shareholders of their preferential right to subscribe the shares to which those securities give an entitlement,

resolve that the Board of Directors will have all powers, with the power of sub-delegation in accordance with statutory and regulatory provisions, to implement this resolution, and particularly to:

- determine the list of securities contributed,
- approve or reduce the valuation of contributions and the granting of special privileges,

- determine, as the case may be, the amount of the cash payment to be made and to note the number of shares contributed in the exchange,
- more generally, make all necessary arrangements and agreements, and
- carry out all formalities required to admit the issued shares for trading,

note that, in the event that the Board of Directors uses the authority granted to it pursuant to this resolution, it shall report to the shareholders in the next ordinary Shareholders' General Meeting, as required by law and regulations, on the use of the authority granted by this resolution,

the authorisation granted to the Board of Directors under this resolution shall be valid for 18 months from the date of this meeting,

the unused part of the authorisation granted in the 22 January 2020 Shareholders' General Meeting, through its twenty-third resolution, is terminated with immediate effect.

NINETEENTH RESOLUTION

(Grant of authority to the Board of Directors to decide upon one or more capital increases through the capitalisation of premiums, reserves, earnings or other)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors, in accordance with Articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code,

grant authority to the Board of Directors, with the power to sub-delegate in accordance with statutory and regulatory provisions, to increase the share capital on one or more occasions, at such times and in such amounts as they shall consider appropriate, through the capitalisation of some or all reserves, profits, issue premiums, merger premiums, contribution premiums or other premiums or other sums that may be capitalised in accordance with the law and the Company's articles of association, and in the form of awards of bonus shares or increases of the par value of existing shares, or a combination of the two,

resolve that the total par value of share capital increases that may be carried out immediately and/or in the future under this grant of authority may not exceed ten million euros (€10,000,000), it being stipulated that this amount will count towards the overall par value limit provided for in the twenty-second resolution of this general meeting and that this overall par value amount does not take into account adjustments that may be made in accordance with applicable statutory and regulatory provisions and, as the case may be, contractual stipulations that provide for other types of adjustment, in order to preserve the rights of holders of securities or other rights giving access to the capital,

resolve that rights not representing a whole number of shares may not be traded and that such shares shall be sold, and the proceeds of such sale shall be allocated to holders of rights as provided for by law and applicable regulations;

give all powers on the Board of Directors, with the power to sub-delegate in accordance with statutory and regulatory conditions, to implement this delegation, and particularly to:

- determine the dates, arrangements and other characteristics of issues,
- determine the amounts to be issued and more generally make all arrangements to ensure the successful conclusion of such issues,
- resolve that rights not representing a whole number of shares may not be traded or assigned and that the corresponding equity securities shall be sold, and the proceeds of such sale shall be allocated to holders of rights as provided for by law and regulations,
- carry out all acts and formalities to render definitive the corresponding capital increase or increases,
- formally note the capital increase,
- request the listing of the securities issued and alter the articles of association accordingly,

note that, in the event that the Board of Directors uses the authority granted to it pursuant to this resolution, it shall report to the shareholders in the next ordinary Shareholders' General Meeting, as required by law and regulations, on the use of the authority granted by this resolution,

the grant of authority to the Board of Directors under this resolution shall be valid for 18 months from the date of this meeting,

the unused part of the authorisation granted in the 22 January 2020 Shareholders' General Meeting, through its twenty-second resolution, is terminated with immediate effect.

TWENTIETH RESOLUTION

(Grant of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's capital in the event of a public offering including an exchange component initiated by the Company)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors and the special report of the statutory auditor, in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-148, L. 228-91 and L. 228-92 of the French Commercial Code,

resolve to grant authority to the Board of Directors, with the power to sub-delegate in accordance with statutory and regulatory provisions, to resolve, on one or more occasions, to issue shares and any other securities giving access to the Company's capital, in consideration for securities tendered to any public exchange offer initiated by the Company, in France or in other countries, according to local rules, for the securities of another company admitted to trading on a regulated market as set out in Article L. 225-148 of the French Commercial Code,

resolve, insofar as is necessary, to withhold, in favour of the holders of those securities, shareholders' preferential subscription rights in respect of such shares and securities to be issued,

resolve that the total par value of share capital increases that may be carried out under this grant of authority (i) may not exceed ten million euros (€10,000,000) or 10% of the Company's share capital at the time the Board of Directors uses this grant of authority and (ii) will count towards the overall par value limit provided for in the twenty-second resolution of this general meeting, to which shall be added, as the case may be, the amount of additional shares to be issued to preserve, in accordance with applicable statutory and regulatory provisions and, as the case may be, applicable contractual stipulations, the rights of holders of securities and other rights giving access to the capital,

also grant authority to the Board of Directors to decide to issue securities conferring an entitlement to the allotment of debt securities,

resolve that the overall par value of debt securities, giving access to the Company's share capital or other debt securities, that may be issued under this grant of authority, shall be a maximum of thirteen million euros (€13,000,000) or the equivalent of that amount in the event of an issue in a foreign currency or units of account established by reference to several currencies, it being stipulated that:

- this amount will count towards the overall par value limit provided for in the twenty-second resolution,
- where appropriate, this amount will be increased by any above-par redemption premium,
- this cap does not apply to debt securities referred to in Articles L. 228-40, L. 228-36 and L. 228-92 paragraph 3 of the French Commercial Code, the issue of which must be approved or authorised by the Board of Directors according to the terms set out in Article L. 228-40 of the French Commercial Code, or in other cases, according to terms determined by the Company in accordance with the provisions of Article L. 228-36 of the French Commercial Code,

resolve that the Board of Directors will have all powers, with the power of sub-delegation in the manner provided for by law, to implement this grant of authority, and particularly to:

- determine the list of securities tendered to the exchange and the form and characteristics of the shares or securities giving access to the capital to be issued, with or without a premium,
- determine the terms of the issue, the exchange ratio and, as the case may be, the amount of the cash payment to be made,
- determine the arrangements of the issue, particularly in relation to a public exchange offer, an alternative primary purchase or exchange offer accompanied by a subsidiary public purchase or exchange offer,

- formally note the number of shares tendered to the exchange;
- determine the dividend entitlement date (which may be retroactive) of the shares or securities that give access to the capital, the terms for paying up those shares or securities and, as the case may be, the arrangements for exercising rights regarding the exchange, conversion, redemption or any other allotment of equity securities or securities giving access to the capital,
- enter the difference between the issue price of the new ordinary shares and their par value in the balance sheet, as a liability in a “contribution premium” account, to which all shareholders shall have an entitlement,
- make all required adjustments in accordance with statutory or regulatory provisions and, as the case may be, applicable contractual stipulations, to protect the rights of holders of securities giving access to the Company’s capital and
- suspend, as the case may be, the exercise of the rights attached to such securities for a maximum of three months,

resolve that the Board of Directors may:

- at its sole discretion and when it deems it appropriate, charge all expenses, duties and fees arising from capital increases carried out under the grant of authority that is the subject of this resolution, against the premiums related to those transactions and deduct from those premiums the sums required to raise the legal reserve to one tenth of the new share capital following each transaction,
- take any decision with a view to admitting the shares and securities thus issued for trading on Euronext’s regulated market in Paris and, more generally,
- take any measures, make any undertaking and carry out any formalities to ensure the successful conclusion of the proposed issue, to render definitive the resulting capital increase, and to make the related changes to the articles of association.

note that, in the event that the Board of Directors uses the authority granted to it pursuant to this resolution, it shall report to the shareholders in the next ordinary Shareholders’ General Meeting, as required by law and regulations, on the use of the authority granted by this resolution,

the authorisation granted to the Board of Directors under this resolution shall be valid for 18 months from the date of this meeting,

the unused part of the authorisation granted in the 22 January 2020 Shareholders’ General Meeting, through its twenty-fourth resolution, is terminated with immediate effect.

TWENTY-FIRST RESOLUTION

(Grant of authority to the Board of Directors to increase the share capital through an issue of shares reserved for members of a savings plan)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors and the special report of the statutory auditor, under the provisions of Articles L. 3332-18 to L. 3332-24 of the French Labour Code applying Article L. 225-129-6 of the French Commercial Code and in accordance with Article L. 225-138-1 of the French Commercial Code,

resolve to grant authority to the Board of Directors to increase, on one or more occasions, the Company’s share capital through issues of shares, reserved for members of a company savings plan of the Company and of the French or foreign companies related to it under Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, it being stipulated that this amount shall count towards the overall limit provided for in the twenty-second resolution of this meeting,

resolve that the total par value of the capital increases that may be carried out pursuant to this resolution must not exceed eight hundred thousand euros (€800,000), to which maximum amount shall be added, as the case may be, the additional amount of shares to be issued to preserve, in accordance with statutory and regulatory provisions and any applicable contractual provisions, the rights of the holders of securities and any other rights giving access to shares,

resolve that the issue price per share shall be determined by the Board of Directors, according to the arrangements provided for by Article L. 3332-20 of the French Labour Code,

resolve to withhold shareholders' preferential rights to subscribe the new shares to be issued or other securities giving access to the capital and securities to which securities issued under this resolution in favour of members of a company savings plan will give an entitlement;

resolve that the characteristics of the other securities giving access to the Company's capital will be determined by the Board of Directors in the manner provided for by regulations,

resolve that the Board of Directors will have all powers, with the power of sub-delegation in accordance with statutory and regulatory provisions, to implement this resolution, and particularly to:

- determine the arrangements and terms of transactions as well as the dates and arrangements of issues that will be carried out under this authorisation,
- determine the opening and closing dates for subscriptions, the dates from which the securities issued will have dividend entitlements, and the arrangements for paying up shares and other securities giving access to the Company's capital,
- agree the timeframes for paying up shares and any other securities giving access to the Company's capital,
- request that the securities created be admitted for trading on a stock exchange,
- formally note the capital increases to the extent of the shares actually subscribed,
- carry out, directly or through an agent, all transactions and formalities related to increases in the share capital and, at its sole discretion, carry out any related amendment of the articles of association and, if it considers it appropriate to do so, to charge the expenses of capital increases to the amount of the premiums relating to such increases, and to deduct from this amount the sums necessary to increase the legal reserve to one tenth of the new share capital after each increase,

note that, in the event that the Board of Directors uses the authority granted to it pursuant to this resolution, it shall report to the shareholders in the next ordinary Shareholders' General Meeting, as required by law and regulations, on the use of the authority granted by this resolution,

The authority thus granted to the Board of Directors is valid for 18 months from the time of this Shareholders' General Meeting,

the unused part of the authorisation granted in the 22 January 2020 Shareholders' General Meeting, through its twenty-fifth resolution, is terminated with immediate effect.

TWENTY-SECOND RESOLUTION

(Overall limit of issues carried out under the sixteenth, seventeenth, eighteenth, nineteenth, twentieth and twenty-first resolutions)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors,

subject to the adoption of the resolutions set out above,

resolve to set as follows the overall limit of the amounts of issues that may be decided under the grants of authority or authorisations given to the Board of Directors and resulting from the sixteenth, seventeenth, eighteenth, nineteenth, twentieth and twenty-first resolutions of this meeting:

- the maximum par value of capital increases resulting from issues of shares or securities giving access to the capital that may thus be carried out, either directly or on presentation of debt securities, may not exceed twenty million euros (€20,000,000), with that limit not including the overall par value of additional shares that may be issued to preserve, in accordance with the law and any contractual stipulations providing for other types of adjustment, the rights of holders of securities and other rights giving access to the capital,

- the maximum par value of debt securities that may be issued by the Company shall not exceed thirteen million euros (€13,000,000) or the equivalent of that amount in the event of an issue in a foreign currency or units of account established by reference to several currencies.

<u>TWENTY-THIRD RESOLUTION</u>

(Authorisation to be granted to the Board of Directors to grant existing shares or shares to be issued in the Company free of charge to members of the Company's salaried staff and corporate officers and those of its subsidiaries within the meaning of article L. 233-3 of the French Commercial Code or to some of them)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors and the special report of the statutory auditor, in accordance with Article L. 225-197-1 and following of the French Commercial Code,

authorise the Board of Directors to award, on one or more occasions, existing shares or shares to be issued in the Company (excluding preferred shares) free of charge to staff members and/or corporate officers that it shall determine from among the staff members and corporate officers referred to by Article L. 225-197-1(II) of the French Commercial Code, of the Company or companies or groups related to it, of French or other nationality, in accordance with Article L. 225-197-2 of the French Commercial Code or certain categories of them,

resolve that the Board of Directors shall determine the identity of those receiving the awards, the number of shares awarded and the terms and criteria for share awards, it being stipulated that the vesting of the shares may be subject to certain conditions to be defined by the Board of Directors on the award date,

resolve that awards of shares made free of charge under this authorisation shall not exceed 2% of the Company's existing share capital on the date the award decision is made, not taking into account any adjustments that may take place in accordance with applicable legislative and regulatory provisions and, as the case may be, with contractual stipulations providing for other types of adjustment, to preserve the rights of holders of securities or other rights giving access to the capital. For that purpose, the shareholders authorise, insofar as is necessary, the Board of Directors to increase the share capital through the capitalisation of earnings, reserves or issue premiums in a corresponding amount,

resolve that the awarding of shares to their beneficiaries shall become definitive after a vesting period, the length of which shall be determined by the Board of Directors, it being understood that the length of the period shall not be subject to a minimum length that shall not be less than that provided for by laws and regulations. However, if the vesting period for some or all of an award or awards is at least three years, the Board of Directors shall not be able to specify a lock-up period for the shares concerned,

resolve that where a beneficiary suffers a disability falling into the second or third category provided for by Article L. 341-4 of the French Social Security Code, the shares shall vest in that beneficiary before the end of the vesting period. Those shares shall be freely assignable from the time they are delivered,

note that this authorisation shall cause, by operation of law, shareholders' preferential subscription rights to shares that may be issued under this resolution to be withheld in favour of the beneficiaries,

resolve that the Board of Directors shall have all powers, with the power to delegate subject to statutory and regulatory limitations, to implement this grant of authority and in particular to:

- determine, as the case may be, the arrangements and terms of awards made under this authorisation,
- determine the length of the vesting period and, as the case may be, the lock-up period according to the terms set out above,
- carry out, as the case may be, during the vesting period, adjustments to the number of shares awarded free of charge in connection with any transactions affecting the Company's capital in order to preserve the rights of beneficiaries. Any shares that may be awarded as a result of those adjustments shall be deemed to be awarded on the same day as the shares initially awarded,
- determine, if shares yet to be issued are awarded, the amount and type of reserves, earnings or premiums to be capitalised, and transfer amounts from such items to the appropriated earnings account,
- provide for the ability to suspend award rights temporarily,
- determine the dividend entitlement date, which may be in the past, of new shares arising from bonus share awards,
- formally note, as the case may be, capital increases, make the related changes to the articles of association, carry out all publication formalities, carry out all formalities required for the issue, listing and financial servicing of the securities issued under this resolution and in general do what is necessary,

resolve that the Board of Directors shall inform shareholders every year in the Ordinary Shareholders' General Meeting of transactions carried out under this resolution,

the authorisation granted to the Board of Directors under this resolution shall be valid for 18 months from the date of this meeting,

the unused part of the authorisation granted in the 22 January 2020 Shareholders' General Meeting, through its twenty-seventh resolution, is terminated with immediate effect.

TWENTY-FOURTH RESOLUTION

(Authorisation to be granted to the Board of Directors to cancel some or all of the Company's shares held by the Company under the authorisation to buy back shares)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, having considered the report of the Board of Directors and the statutory auditor's special report,

subject to the adoption of the authorisation for the Company to buy back its own shares under the fourteenth resolution above,

authorise the Board of Directors, in accordance with the provisions of Article L. 225-209 of the French Commercial Code, to cancel, at its sole discretion, on one or more occasions, some or all of the Company's shares that the Company may hold under an authorisation granted to the Board of Directors to buy the Company's shares, and to reduce the share capital by the total par value of the shares thus cancelled, subject to a maximum of 10% of the share capital per period of twenty-four (24) months, it being noted that this limit applies to the amount of the Company's share capital that shall, as the case may be, be adjusted to take account of transactions affecting the share capital after this Shareholders' General Meeting.

The shareholders give all powers on the Board of Directors, with the power to sub-delegate in accordance with statutory and regulatory conditions, to:

- carry out the aforementioned capital reduction and formally note its completion,
- charge the difference between the purchase price of the cancelled shares and their par value to any reserve and premium accounts,
- amend the articles of association accordingly,
- carry out all declarations to the Autorité des Marchés Financiers, carry out all other formalities and, in general, do whatever is necessary,

note that, in the event that the Board of Directors uses the authority granted to it pursuant to this resolution, it shall report to the shareholders in the next ordinary Shareholders' General Meeting, as required by law and regulations, on the use of the authorisation granted by this resolution,

this authorisation is granted for a period of 18 months from the date of this Shareholders' General Meeting,

the unused part of the authorisation granted in the 22 January 2020 Shareholders' General Meeting, through its twenty-eighth resolution, is terminated with immediate effect.

TWENTY-FIFTH RESOLUTION

(Powers to carry out legal formalities)

The shareholders, voting in accordance with the quorum and majority requirements set out in the articles of association, grant all powers to holders of copies or excerpts of this report to carry out all legal formalities.

23. GLOSSARY

The definitions of technical terms commonly used in the gaming industry are provided to the reader below to facilitate his/her understanding of this Universal Registration Document.

Back catalogue
Every video game publisher has its own definition of this term. NACON's back catalogue includes all video games released digitally in previous financial years. Because its financial year ends on 31 March, a game released in March of year N will therefore be regarded as forming part of NACON's back catalogue from April of year N.

Bigben Interactive
This refers to Bigben Interactive, a public limited company (société anonyme) governed by a Board of Directors with capital of €39,397,408, whose head office is located at 396-466, rue de la Voyette – CRT2 – 59270 Fretin, and which is registered with the Lille Métropole trade and companies register under number 320 992 977.

Cloud gaming
Cloud gaming, which was still impossible only 10 years ago, means that any game can be played on any device (PC, console, mobile phone, TV etc.) even if the consumer does not have the physical hardware required to process the game.

Console manufacturer
Manufacturer of video game consoles (Sony, Microsoft, Nintendo).

Freemium
A business model in which games are provided – generally by downloading from digital platforms – free of charge. However, players can make in-game purchases, for example buying objects that allow them to progress through the game's levels more quickly. A patient gamer can play without paying, whereas an impatient gamer will tend to pay in order to progress more quickly.

Bigben Interactive group
The group of companies comprising Bigben Interactive and its subsidiaries.

Group
The group of companies comprising NACON and its subsidiaries.

NACON
This refers to NACON, a public limited company (société anonyme) governed by a Board of Directors with capital of €84,908,919, whose head office is located at 396-466, rue de la Voyette – CRT2 – 59270 Fretin, which is registered with the Lille Métropole trade and companies register under number 852 538 461, and which is the former Gaming division of Bigben Interactive.

Paymium
This is a business model in which gamers pay for games and can then convert real money into virtual money or buy in-game items via microtransactions, in order to speed up their progress in the game or to acquire limited-edition objects.

Sony
In this Universal Registration Document, the terms "Sony" and "console manufacturer Sony" refer to:

- for accessories, the gaming division of the international Sony group in charge of accessories that has formed a partnership agreement with NACON, i.e. SIE (Sony Interactive Entertainment),

- for games, the gaming division of the international Sony group in charge of validating video games published for its PlayStation 2, PlayStation 3 and PlayStation 4 consoles, both physically and sold on those consoles' digital platforms, i.e. SIEE (Sony Interactive Entertainment Europe).

24. CROSS-REFERENCE TABLES

TABLE OF CROSS-REFERENCES WITH THE ANNUAL FINANCIAL REPORT:

STATEMENT BY THE PERSON RESPONSIBLE FOR THE DOCUMENT	
- Statement by the person responsible for the document	Section 1.1
MANAGEMENT REPORT	
- Analysis of the earnings and financial position of the parent company and the consolidated group	Chapters 7 and 8
- Risk factors	Chapter 3
- Information relating to the capital structure and that may be relevant in the event of a public offer	Chapter 16
- Information relating to share buybacks	Section 19.1.3
- Grants of authority currently valid and use of them made in the financial year	Section 19.1.5
- Employee share ownership	Section 15.3
- Remuneration of corporate officers and list of corporate officer roles held	Sections 13.1 and 12.1.2
FINANCIAL STATEMENTS AND REPORTS	
- The Company's statutory financial statements	Section 18.1.1
- Statutory auditors' report on the statutory financial statements	Section 18.3
- The Group's consolidated financial statements	Section 18.1.6
- Statutory auditors' report on the consolidated financial statements	Section 18.3
- Statutory auditors' fees	Section 2.4.5 of the notes to the consolidated financial statements

TABLE OF CROSS-REFERENCES WITH THE CORPORATE GOVERNANCE REPORT:

- List of all roles and functions held by each corporate officer	Section 12.1
- List of agreements between a manager or shareholder of the Company and a subsidiary of the Company	Sections 14.2 and 17.1
- Table summarising currently valid grants of authority made by shareholders in Shareholders' General Meetings	Section 19.1.5
- Executive Management structure	Section 12.1.1
- Total remuneration and benefits granted to corporate officers	Section 13.1
- Composition of and arrangements for preparing and organising the work done by the Board of Directors	Section 12.1.2
- Description of the diversity policy applied to members of the Board of Directors	Section 12.1.2
- Limits that the Board of Directors imposes on the powers of the Chief Executive Officer	Sections 12.1 and 14.5.1
- Reference to a code of corporate governance	Section 14.4.1
- Specific arrangements relating to shareholder attendance at Shareholders' General Meetings	Section 19.2.2 (voting rights)
- Information that may be relevant in the event of a public offer	Sections 16.3 and 19.2.3