



**INTERIM FINANCIAL REPORT  
FIRST HALF 2020/21**

**SIX MONTHS ENDED 30 SEPTEMBER 2020**

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## 1. STATEMENT BY THE PERSON RESPONSIBLE



I hereby declare that, to the best of my knowledge, the condensed financial statements for first half of 2020/21 have been prepared in accordance with 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 the scope of consolidation, and that the interim business report below provides an accurate description of the significant events during the first six months of the financial year, their impact on the financial statements, the main transactions between related parties and a description of the main risks and contingencies for the remaining six months of the financial year.

Lesquin, 1 December 2020,

The Chief Executive Officer  
Alain Falc

## 2. BUSINESS REPORT

### 2.1 KEY EVENTS IN THE FIRST HALF OF 2020/21

#### 2.1.1 Operating activities

In the first half of 2020/21, consolidated revenue amounted to €86.6 million, up 35.9% compared with combined revenue for the first half of 2019/20.

in thousands of euros	6-month total		Contribution	
	First half 2020/21	First half 2019/20	First half 2020/21	First half 2019/20
<b>Revenue</b>	<b>86,605</b>	<b>63,708</b>	<b>100%</b>	<b>100%</b>
<i>Gaming accessories</i>	51,556	23,645	60%	37%
<i>Physical games</i>	9,247	11,882	11%	19%
<i>Digital games</i>	23,582	25,889	27%	41%
<i>Other</i>	2,219	2,292	3%	4%

First-half revenue was boosted by firm growth in Gaming accessories, particularly premium RIG™ headsets and official controllers for the PlayStation®4, along with strong growth in sales of back-catalogue games.

IFRS financial statements, in millions of euros	Six months ended 30 September		Change	
	2020/21	2019/20	€ m	%
<b>Revenue</b>	<b>86.6</b>	<b>63.7</b>	<b>22.9</b>	<b>+35.9%</b>
<i>of which Gaming accessories</i>	51.6	23.6		
<i>Physical games</i>	9.2	11.9		
<i>Digital games</i>	23.6	25.9		
<i>Other</i>	2.2	2.3		
Purchases consumed	(41.3)	(24.5)		
<b>Gross profit</b>	<b>45.3</b>	<b>39.2</b>	<b>6.1</b>	<b>+15.5%</b>
Operating expenses	(14.9)	(15.7)	0.8	-5.0%
<b>EBITDA</b>	<b>30.4</b>	<b>23.5</b>	<b>6.9</b>	<b>+29.2%</b>
Depreciation and amortisation of non-current assets	(14.7)	(12.9)	-1.8	+14.2%
<b>Recurring operating income</b>	<b>15.7</b>	<b>10.7</b>	<b>5.1</b>	<b>+47.4%</b>
Other operating income and expense	(1.8)	(1.0)	-0.9	
<b>Operating income</b>	<b>13.9</b>	<b>9.7</b>	<b>4.2</b>	<b>+43.3%</b>
Net financial income/expense	(0.8)	(0.5)	-0.3	
<b>Pre-tax income</b>	<b>13.1</b>	<b>9.3</b>	<b>3.9</b>	
Tax	(3.6)	(2.7)	-0.8	
<b>Net income</b>	<b>9.6</b>	<b>6.5</b>	<b>3.0</b>	<b>+46.7%</b>

Recurring operating income rose from €10.7 million in the first half of 2019/20 to €15.7 million. Revenue increased substantially while external expenses fell and management limited the increase in personnel expenses. This allowed NACON to achieve a 47.4% increase in recurring operating income, which equalled 18.2% of revenue during the period. EBITDA amounted to €30.4 million, equal to 35.1% of revenue.

Net financial expense included a €/€ foreign exchange loss of €0.4 million in the first half of 2020/21, factoring in the change in fair value of derivative financial instruments, along with the €0.5 million cost of bank debt.

Pre-tax income rose from €9.3 million in the first half of 2019/20 to €13.1 million in the first half of 2020/21.

The average effective tax rate was 27.2% as opposed to 29.6% in the first half of 2019/20. The decrease was mainly due to the cut in France's corporate income tax rate.

NACON's net income amounted to €9.6 million, up from €6.5 million in the first half of 2019/20.

## 2.1.2 Other key events

- ◆ Ownership structure

- ➔ **2020 bonus share award**

On 7 September 2020, NACON SA's Board of Directors awarded 1,123,983 NACON bonus shares to employees and corporate officers of Group entities, i.e. 512 beneficiaries, in accordance with the terms and conditions agreed when acquiring studios and to reward staff members for their sustained efforts in making the IPO a success. The vesting of those shares after a 1- or 3-year period is subject to an ongoing presence condition and a performance condition related to achieving a predetermined level of recurring operating income. Based on the number of NACON bonus shares vested, an issue of new NACON shares will take place through the capitalisation of reserves, and a special appropriated earnings account equal to the total par value of the 1,123,983 shares awarded, i.e. €1,123,983, was set up at the time of the award.

The total consolidated IFRS 2 expense relating to these new NACON group plans and previous plans recognised with respect to the first half of 2020/21 was €1.8 million, with a balancing entry under reserves.

- ◆ Change in scope:

Bigben Interactive USA Inc., which had been dormant for several years, was wound up on 17 August 2020. That company, which the Group had accounted for under the equity method, was therefore deconsolidated and was no longer part of the Group's scope of consolidation at 30 September 2020.

- ➔ **Further developments in the Covid-19 (coronavirus) crisis**

The Group adopted a remote working plan in May 2020, which has evolved to reflect developments in health risks and government guidelines, in order to protect the health of its staff members and allow activity to continue in accordance with public health rules.

Procurement of accessories from the Group's suppliers has been back to normal since mid-April 2020.

From the economic point of view, the Covid-19 crisis had a positive effect on sales of both back-catalogue digital games and gaming accessories:

- The Group was able to rely on firm growth of back catalogue digital sales, which totalled €18 million in the first half of 2020/21 as opposed to €5.3 million in the first half of 2019/20.
- Global demand for accessories arising from new ways of remote working, videoconferencing and leisure use (headsets, controllers etc.) increased sharply, which boosted sales of NACON accessories.

There were no cash flow problems. The company had a large cash position with which to fund its development following its recent IPO, through which it raised €103 million (after deducting IPO expenses) in March 2020.

- ➔ **Changes in debt**

NACON did not take out any new loans during the period.

## 2.2 INFORMATION ABOUT THE GROUP'S SHARES

### 2.2.1 Share capital

At 30 September 2020, NACON SA's share capital consisted of 84,908,919 shares, representing 84,908,919 voting rights on a gross basis.

The Company's shares are listed on Eurolist by Euronext Paris, compartment B. Their ISIN is FR0013482791. The shares are not listed on any other exchange.

Based on the closing price of €6.65 on 30 September 2020, the Company's market capitalisation at that date was €564.64 million.

### 2.2.2 Crossing of an ownership disclosure threshold

No ownership disclosure thresholds were crossed during the reference period from 1 April to 30 September 2020.

The Company's ownership structure at 30 September 2020 was as follows:

Name	% of capital held	% of voting rights held*
Bigben Interactive	76.67%	76.67%
Bpifrance Investissement	2.14%	2.14%
CDC Croissance	0.86%	0.86%
Free float	20.29%	20.33%
Liquidity agreement	0.05%	0.00%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>

\* Gross voting rights

### 2.2.3 Post-balance sheet events

#### ➤ Further developments in the Covid-19 (coronavirus) crisis

The Group's order book suggests that sales of inventories will be satisfactory in the next few months.

Trade receivables at 30 September 2020 are being collected in accordance with agreed payment times.

The Group is not expecting any cash flow problems. The company still has a large cash position with which to fund its development following its recent IPO, through which it raised €103 million (after deducting IPO expenses) in March 2020.

As a result, the Group is able to maintain and develop its business activities in the second half of the 2020/21 financial year.

#### ➤ Acquisition of an additional stake in Lunar Great Wall Studios Srl

On 29 July 2019, Bigben Interactive acquired a 43.15% stake in Italian development studio Lunar Great Wall Studios Srl, which is better known under its trade name RaceWard, with an option, exercisable at any time until 31 December 2021, to acquire a further 10% stake. That stake, along with all its other stakes in video game studios, was transferred to NACON through the spin-off on 31 October 2019. NACON exercised the aforementioned option on 7 October 2020, taking its stake in RaceWard to 53.15% and paying for the additional shares in cash.

RaceWard is based in Milan. It is growing rapidly and has expanded its team, which at the end of September 2020 consisted of around 40 people passionate about racing simulation games, particularly motorbike racing games.

The acquisition of a stake in this studio has enabled the NACON group, via its NACON - Gaming segment, to strengthen its expertise in the Racing segment – one of the key pillars of its video-game portfolio – by developing synergies with its other studios. For some of its developments, RaceWard uses the KT Racing engine developed by Kylotonn.

## ➡ Acquisition of 100% of Neopica

On 19 October 2020, NACON acquired all of the capital and voting rights of development studio Neopica Srl for cash. Earn-out payments based on the quality and commercial potential of that studio's next two developments may be paid to the vendors in the 12 months after the games are released. Those payments are capped and contingent on the achievement of a certain quality level and volume of future games sales.

Neopica was founded in 2007 by a team including Peter Vermeulen and Filip Hautekeete. It is a well known Belgian studio that has developed around 60 games, including a number of casual games designed to appeal to the widest possible audience, including children, and has more recently moved into more complex simulation games.

NACON has had a successful collaboration with Neopica for several years. For example, Neopica developed the hunting games Hunting Simulator 1 & 2 and then the racing game FIA European Truck Racing Championship. For the latter game, Neopica used the KT Engine developed by Kylotonn.

The studio is based in Ghent, Belgium, and employs around 30 developers. It is currently developing its expertise in next-gen consoles (PlayStation®5 and Xbox Series X™).

Peter Vermeulen and Filip Hautekeete, the studio's co-founders and its current directors, will continue to lead Neopica while retaining a high level of autonomy, in order to concentrate on the creative aspect of its productions.

Neopica Srl will be consolidated in the Group's financial statements from the date of its acquisition.

The acquisition of Neopica is not material for the NACON group, and so no detailed proforma financial information is required.

## ➡ Further 2020 bonus share awards

On 26 October 2020, NACON SA's Board of Directors awarded 43,282 NACON bonus shares to certain key managers of studios newly acquired by the NACON group. The vesting of those shares after a 3-year period is subject to an ongoing presence condition. Based on the number of NACON bonus shares vested, an issue of new NACON shares will take place through the capitalisation of reserves, and a special appropriated earnings account equal to the total par value of the 43,282 shares awarded, i.e. €43,282, was set up at the time of the award.



## 2.3 RISKS AND OPPORTUNITIES IN THE SECOND HALF OF THE FINANCIAL YEAR

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NACON expects the business trend to remain buoyant in the second half of 2020/21.

### ➔ Growth drivers in the second half of 2020/21

NACON expects the business trend to remain buoyant in the second half of 2020/21 (period from 1 October 2020 to 31 March 2021) due to:

- a favourable market, which now features two generations of consoles (current gen PS®4 / Xbox 1, and next gen PS®5 / Xbox Series X|S); NACON will produce almost all of its upcoming games for both generations at the same time;
- growth in digital sales and the release of next-gen versions of WRC® 9, Tennis World Tour®2, Hunting Simulator® 2 and Warhammer: Chaosbane®, and the launch of five new games (Monster Truck Championship, Blood Bowl 3, Handball 21, Werewolf: the Apocalypse® – Earthblood, Rogue Lords);
- headset orders placed by US retailers for the holiday season;
- the release of Revolution X and Pro Compact controllers for the new Microsoft console, and a special MG-X Series range for cloud gaming.

### ➔ Full-year guidance

Based on the positive outlook, NACON has further raised its revenue guidance for 2020/21, now expecting revenue of €160-170 million (vs. €129.4 million in 2019/20), along with recurring operating margin of 18%.



### 3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 3.1 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

##### 3.1.1 Statement of financial position

<i>in thousands of euros</i>	Notes	30 September 2020	31 March 2020
Goodwill	1	29,072	29,072
Right-of-use assets	2	3,963	3,512
Other intangible assets	2	77,040	68,154
Property, plant and equipment	3	1,185	1,006
Shares in associates	4	(0)	43
Other financial assets		1,093	1,073
Deferred tax assets	5	3,053	2,897
<b>Non-current assets</b>		<b>115,407</b>	<b>105,758</b>
Inventories	6	26,514	27,417
Trade receivables	7	50,493	39,529
Other receivables	8	10,812	11,763
Current tax assets		3,745	4,137
Cash and cash equivalents	9	115,979	110,929
<b>Current assets</b>		<b>207,543</b>	<b>193,775</b>
<b>TOTAL ASSETS</b>		<b>322,950</b>	<b>299,533</b>
Share capital		84,909	84,909
Share premiums		73,679	73,679
Consolidated reserves		30,846	13,884
Net income for the period		9,605	15,300
Exchange differences		(219)	111
<b>Equity attributable to equity holders of the parent</b>		<b>198,820</b>	<b>187,883</b>
Equity attributable to non-controlling interests		(316)	(262)
<b>Total equity</b>	14	<b>198,504</b>	<b>187,621</b>
Long-term provisions	10	742	659
Long-term financial liabilities	11	44,855	50,312
Long-term lease liabilities	12	2,362	1,991
Other non-current liabilities		0	0
Deferred tax liabilities		0	118
<b>Non-current liabilities</b>		<b>48,006</b>	<b>53,081</b>
Short-term provisions	10	555	530
Short-term financial liabilities	11	20,377	17,828
Short-term lease liabilities	12	1,621	1,545
Trade payables		33,942	19,570
Other payables	13	15,943	17,889
Current tax liabilities		4,049	1,468
<b>Current liabilities</b>		<b>76,440</b>	<b>58,831</b>
<b>Total equity and liabilities</b>		<b>322,950</b>	<b>299,533</b>

### 3.1.2 Statement of profit or loss and other comprehensive income

(in thousands of euros)	Notes	First half 2020/21	First half 2019/20
<b>Revenue</b>	15	<b>86,605</b>	<b>63,708</b>
Purchases consumed	16	(41,302)	(24,497)
<b>Gross profit</b>	3.2.2	<b>45,303</b>	<b>39,211</b>
<b>Gross margin (% of revenue)</b>		<b>52.3%</b>	<b>61.5%</b>
Other operating revenue		257	287
Other purchases and external expenses	17	(8,332)	(10,002)
Taxes other than income tax		(125)	(442)
Personnel costs		(6,367)	(5,047)
Other operating expenses		(333)	(466)
Gains or losses on disposals of non-current assets		19	
<b>EBITDA</b>	3.2.2	<b>30,422</b>	<b>23,542</b>
<b>EBITDA margin (% of revenue)</b>		<b>35.1%</b>	<b>37.0%</b>
Depreciation and amortisation of non-current assets		(14,693)	(12,867)
<b>Recurring operating income</b>		<b>15,729</b>	<b>10,674</b>
<b>Recurring operating margin (% of revenue)</b>		<b>18.2%</b>	<b>16.8%</b>
Bonus share and stock-option plans	18	(1,822)	(971)
Income from associates		0	(1)
<b>Operating income</b>		<b>13,907</b>	<b>9,703</b>
<b>Net financial income/expense</b>	19	<b>(785)</b>	<b>(452)</b>
<b>Pre-tax income</b>		<b>13,122</b>	<b>9,251</b>
Income tax		(3,570)	(2,741)
<b>Net income for the period</b>		<b>9,551</b>	<b>6,510</b>
Exchange differences		(378)	15
<b>Comprehensive income for the period</b>		<b>9,173</b>	<b>6,525</b>
<b>Net income for the period</b>		<b>9,551</b>	<b>6,510</b>
Attributable to non-controlling interests		(54)	0
<b>Net income attributable to equity holders of the parent</b>		<b>9,605</b>	<b>6,510</b>

#### Earnings per share

<b>Basic earnings per share (in euros)</b>	20	€0.11
<i>Weighted average number of shares before capital increase</i>		84,868,649
<i>Net income attributable to equity holders of the parent</i>		9,605,466
<b>Diluted earnings per share (in euros)</b>	20	€0.11
<i>Average number of shares after dilution</i>		85,992,632
<i>Net income attributable to equity holders of the parent</i>		9,605,466

### 3.1.3 Statement of changes in consolidated equity

in thousands of euros	Note	Bigben Interactive contribution	Share capital	Share premiums	Combined reserves		Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total equity
					Reserves and retained earnings	Exchange differences			
<b>Equity at 31 March 2019</b>		<b>53,675</b>			<b>13,859</b>	<b>10</b>	<b>67,544</b>	<b>0</b>	<b>67,544</b>
Income in the first half of 2019/20					6,510		6,510		6,510
Other comprehensive income						15	15		15
<b>Comprehensive income</b>		<b>0</b>			<b>6,510</b>	<b>15</b>	<b>6,525</b>	<b>0</b>	<b>6,525</b>
Bigben Interactive bonus share plans		971					971		971
Incorporation		(10)	10				0		0
Non-controlling interests					(31)		(31)		(31)
<b>Equity at 30 Sep. 2019</b>		<b>54,636</b>	<b>10</b>		<b>20,338</b>	<b>26</b>	<b>75,009</b>	<b>0</b>	<b>75,009</b>

in thousands of euros	Note	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			
<b>Consolidated equity at 31 March 2020</b>		<b>84,908,919</b>	<b>84,909</b>	<b>73,680</b>	<b>29,183</b>	<b>111</b>	<b>187,883</b>	<b>(262)</b>	<b>187,621</b>
Income in the first half of 2020/21					9,605		9,605	(54)	9,551
Other comprehensive income						(378)	(378)		(378)
<b>Comprehensive income</b>					<b>9,605</b>	<b>(378)</b>	<b>9,227</b>	<b>(54)</b>	<b>9,173</b>
Capital increase							0		0
Bonus share plans	18				1,822		1,822		1,822
Liquidity agreement					(112)		(112)		(112)
<b>Consolidated equity at 30 September 2020</b>		<b>84,908,919</b>	<b>84,909</b>	<b>73,680</b>	<b>40,498</b>	<b>(267)</b>	<b>198,820</b>	<b>(316)</b>	<b>198,504</b>

## 3.1.4 Consolidated cash flow statement

in thousands of euros

	Notes	First half 2020/21	First half 2019/20
<b>Net cash flow from operating activities</b>			
<b>Net income for the period</b>		<b>9,605</b>	<b>6,510</b>
<i>Elimination of income and expenses that have no cash impact or are unrelated to operating activities</i>			
• Income from associates		0	1
• Attributable to non-controlling interests		(54)	
• Additions to depreciation, amortisation and impairment		14,693	12,867
• Change in provisions		148	354
• Net financial income/expense		437	488
• Net gain or loss on disposals		(6)	
• Other non-cash income and expense items		1,822	971
• Income tax expense		3,570	2,741
<b>Funds from operations</b>		<b>30,216</b>	<b>23,933</b>
Inventories		759	(4,906)
Trade receivables	7 - 8	(10,234)	(2,579)
Trade payables	13	17,210	1,070
<b>Change in WCR</b>		<b>7,735</b>	<b>(6,415)</b>
<b>Cash from operating activities</b>		<b>37,951</b>	<b>17,518</b>
Income tax paid		(3,855)	(300)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>34,096</b>	<b>17,218</b>
<b>Cash flow from investing activities</b>			
Purchases of intangible assets	2	(25,468)	(18,653)
Purchases of property, plant and equipment	3	(434)	(294)
Disposals of property, plant and equipment and intangible assets		47	
Purchases of non-current financial assets		(48)	(256)
Disposals of non-current financial assets		52	3
Disbursements relating to acquisitions of subsidiaries net of net cash acquired		0	(7,039)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(25,851)</b>	<b>(26,239)</b>
<b>Cash flow from financing activities</b>			
Sales / purchases of own shares		(113)	
Dividends paid to the parent company's shareholders		0	
Interest paid		(424)	(486)
Increase in lease liabilities		1,321	
Decrease in lease liabilities		(874)	(463)
Cash inflows from borrowings		0	19,354
Repayments of borrowings and debts		(5,161)	(4,880)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(5,251)</b>	<b>13,525</b>
<b>Impact of changes in exchange rates</b>		<b>(184)</b>	<b>1</b>
<b>Net change in cash and cash equivalents</b>		<b>2,809</b>	<b>4,505</b>
Cash and cash equivalents at start of period		108,721	2,289
<b>Cash and cash equivalents at end of period</b>	9	<b>111,530</b>	<b>7,256</b>

## 3.2 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3.2.1 Information about the company

The condensed interim financial statements cover NACON SA – domiciled in France – and its subsidiaries (the NACON group) for the 6 months ended 30 September 2020. NACON SA is listed on compartment B of Eurolist by Euronext Paris (ISIN: FR0013482791; Reuters: NACON.PA; Bloomberg: NACON:FP).

NACON is part of the Bigben group and was formed in 2019 to optimise its areas of expertise and generate synergies between them in the video game market. Combining its eight development studios, AA video game publishing and the design and distribution of premium gaming peripherals, NACON has 20 years of expertise in serving gamers. This new unified business gives NACON a stronger position in its market and enables it to innovate by creating new and unique competitive advantages.

### 3.2.2 Basis of preparation

#### ➔ Basis of comparison

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.

As part of the IPO project, combined financial statements were prepared for prior accounts closing dates and periods using the accounting documents used to prepare the Bigben Interactive group's consolidated financial statements for the same periods. The Group's combined financial statements were prepared in accordance with IFRSs as endorsed by the European Union and were audited.

Since then, NACON has prepared its consolidated financial statements as a continuation of the combined financial statements, as if the spin-off transactions had been carried out at the start of the comparative period, i.e. on 1 April 2018.

#### ➔ Statement of compliance

The condensed consolidated interim financial statements for the six-month period ended 30 September 2020 were prepared in accordance with **IAS 34 "Interim financial reporting"**, which forms part of IFRSs as endorsed by the European Union.

They do not contain all information required in the full annual financial statements, and must be read in conjunction with the Group's financial statements for the year ended 31 March 2020 (available on request from the Company's registered office at 396/466 rue de la Voyette, CRT2, 59273 Fretin or from the Corporate section of the NACON website [www.nacongaming.com](http://www.nacongaming.com)).

The same accounting policies were applied for the six months ended 30 September 2020 as those applied to the year ended 31 March 2020.

The Group's condensed consolidated interim financial statements for the six months ended 30 September 2020 and the related notes were finalised by the Board of Directors in its meeting on 30 November 2020.

#### ➔ 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, in the six months ended 30 September 2020, Management re-examined its estimates regarding:

- indications of impairment losses (Note 1)
- tax assets relating to unused tax loss carryforwards (Note 5)
- provisions (Note 10)
- the useful lives of game development costs (see below)

#### Application of the development cost amortisation method

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 impairment losses. At the end of each financial year or wherever indications of a loss of value appear, management estimates forecast cash flows 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 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 since 1 April 2020 by NACON are currently amortised using the diminishing balance method over a period of four years.

## ➤ Consolidation principles and policies

The accounting policies applied by the Group in its interim financial statements are the same as those used in the consolidated financial statements for the year ended 31 March 2020, except for standards that have come into force since 1 April 2020, which are set out below.

The financial statements are presented in thousands of euros unless otherwise stated.

## ➤ Standards

### ➤ Standards and interpretations newly applicable from 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
Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform, Phase 1	01/01/2020
Definition of a business (amendment to IFRS 3)	01/01/2020
Temporary amendment of IFRS 16 - Covid-19-related rent concessions	09/10/2020

The application of those standards did not have any material impact on the Group's financial statements.

### ➤ New texts adopted early in accounting periods starting on or after 1 April 2021

The Group has not opted for early adoption of other standards and amendments that may be adopted early or that will be mandatory in 2021/22.

The Group does not expect their adoption to have a material impact on the financial statements.

## ➤ Use of the non-accounting financial indicator EBITDA

The NACON group defines EBITDA (earnings before interest, taxes, depreciation and amortisation) as recurring operating income before impairment, depreciation of property, plant and equipment and amortisation of intangible assets, but before additions to provisions on inventories and trade receivables.

The Group regards EBITDA as a non-IFRS 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, increasing the projected value of its consolidated financial statements and providing information about the earnings of the Group's recurring commercial activities and cash flows, allowing investors to identify more effectively trends in its financial performance.

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.

### ↪ Use of the financial indicator “gross profit”

The Group calculates gross profit as the difference between total revenue and purchases consumed in relation to retail sales (retail video games and gaming accessories).

Please refer also to Note 16 “Purchases consumed”.

## 3.2.3 Scope of consolidation

### ↪ List of consolidated companies

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
LUNAR GREAT WALL STUDIOS Srl	Italy	43.15%	Full consolidation
NACON GAMING INC	United States	100.00%	Full consolidation
NACON PTY Ltd	Australia	100.00%	Full consolidation

### ↪ Change in scope

Bigben Interactive USA Inc., which had been dormant for several years, was wound up on 17 August 2020. That company, which the Group had accounted for under the equity method, was therefore deconsolidated and was no longer part of the Group's scope of consolidation at 30 September 2020.

## 3.2.4 Segment reporting

NACON sells a wide range of video games and gaming accessories that meet demand in its market.

As part of the Group's reorganisation and the spin-off of the Gaming business to form NACON on 1 October 2019, 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 SA.



Given the highly integrated new organisation of the Gaming segment, a large proportion of costs are shared between the Video Games and Gaming Accessories businesses. The Video Games and Gaming Accessories businesses share most of their customers. As a result, the Group only calculates recurring operating income at the Group level.

Games developed by acquired studios 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 Gaming Accessories businesses address the same market and have the same economic characteristics.

The information presented below is that 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.

### ➔ Seasonal nature of the business

Seasonal variations in the Gaming Accessories business are fairly pronounced, with business levels traditionally higher in the second half. Variations in Video Games business levels, meanwhile, depend mainly on game release dates.

### ➔ Revenue by product category

in thousands of euros	6-month total		Contribution	
	First half 2020/21	First half 2019/20	First half 2020/21	First half 2019/20
<b>Revenue</b>	<b>86,605</b>	<b>63,708</b>	<b>100%</b>	<b>100%</b>
<i>Gaming</i>				
<i>of which accessories</i>	51,556	23,645	60%	37%
<i>Physical games</i>	9,247	11,882	11%	19%
<i>Digital games</i>	23,582	25,889	27%	41%
<i>Other</i>	2,219	2,292	3%	4%

Given the way in which the distribution subsidiaries were carved out in the 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	6-month total		Contribution	
	First half 2020/21	First half 2019/20	First half 2020/21	First half 2019/20
<b>Revenue</b>	<b>86,605</b>	<b>63,708</b>	<b>100.0%</b>	<b>100.0%</b>
<i>of which France</i>	14,744	15,158	17%	24%
<i>Export</i>	71,861	48,550	83%	76%

The geographical breakdown is based on the location of invoiced customers.

### 3.2.5 Additional notes

#### ➔ Additional notes to the balance sheet

##### Note 1 Goodwill

Acquired entities in thousands of euros	BBI Belgique	Cyanide SA	Eko	Kylotonn	Spiders	RaceWard	TOTAL
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Goodwill arising from transactions in the financial half-year ended 30 September 2020 and previous years	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 2020 and previously	1,088	12,539	6,058	3,770	5,273	345	29,072

Given the high level of integration shown by its business, the Group has only one CGU.

#### ***Description of transactions in the first half of 2020/21***

No transactions took place in the first half of 2020/21.

#### ***Transactions that took place in 2019/20 that may affect the current period***

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 Srl, which is better known under its trade name RaceWard;
- on 3 September 2019, it acquired 100% of the shares and voting rights in Spiders SAS.

#### **RaceWard (Lunar Great Wall Studios Srl)**

The business combination took place on 29 July 2019, the date on which the NACON group acquired a 43.15% stake in Italian development studio Lunar Great Wall Studios Srl, which is better known under its trade name RaceWard. The transaction amount was paid entirely in cash. The NACON group, to which that stake was transferred through the spin-off on 31 October 2019, had an option, exercisable at any time until 31 December 2021, to acquire an additional 10% stake in Lunar Great Wall Studios Srl. It exercised that option on 7 October 2020.

The IFRS 10 approach is based on the ability to exert control. Given the absence of obstacles to control being exerted and given the parties' respective commercial interests, the conclusion was that the Group had 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 goodwill was therefore recognised under "Intangible assets" on the balance sheet at 31 March 2020.

	<i>In thousands of euros</i>
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
<b>Total identifiable net assets acquired</b>	<b>-383</b>
<b>Proportion of identifiable net assets acquired</b>	<b>-165</b>
Goodwill	345
Fair value of the consideration transferred	180

This goodwill determination was definitive at 30 September 2020.

### 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. Spiders SAS was transferred to NACON as part of the spin-off on 31 October 2019.

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.

In the interim financial statements for the six months ended 30 September 2019 and in the full-year financial statements for the financial year ended 31 March 2020, a €2.4 million earn-out payment was included in the calculation of the consideration transferred. 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.

### *Allocation of the purchase price of Spiders SAS*

In accordance with IFRS 3, the Group had 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:

	<i>In thousands of euros</i>
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
<b>Total identifiable net assets acquired</b>	<b>1,127</b>
Goodwill	5,273
Fair value of the consideration transferred	6,400

This goodwill determination was definitive at 30 September 2020.

**Goodwill impairment tests**

At 30 September 2020, no evidence of a loss of value was identified and so no impairment test was carried out at that date.

**Note 2 Intangible assets**

in thousands of euros	30 September 2020	31 March 2020
<b>Gross value</b>	<b>159,096</b>	<b>134,845</b>
Amortisation	(77,934)	(62,574)
Impairment	(159)	(605)
<b>Net value</b>	<b>81,003</b>	<b>71,666</b>

The main intangible assets are as follows:

- The “Game development costs” item, which represents expenses incurred in developing NACON 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. At 30 September 2020, game development costs had a gross value of €139,685 thousand and amortisation totalled €72,913 thousand, giving a net value of €66,773 thousand. The increase in development costs is due to growth in the Publishing business.
- At 30 September 2020, the “Trademarks” item mainly consisted of trademarks owned by the development studio Cyanide and the RIG™ trademark belonging to the NACON group, following the acquisition of Cyanide in the year ended 31 March 2019 and the acquisition of RIG™ assets from Poly in the year ended 31 March 2020. At 30 September 2020, the net carrying amount of trademarks was €9,696 thousand, unchanged relative to 31 March 2020.
- The “right-of-use assets” item, which relates to leases, arising from the application of IFRS 16 from the 2019/20 financial year onwards, with a net carrying amount of €3,963 thousand.

See also Note 1 regarding the way in which the purchase prices of development studios are allocated to intangible assets.

**Note 3 Property, plant and equipment**

in thousands of euros	30 September 2020	31 March 2020
<b>Gross value</b>	<b>4,405</b>	<b>4,084</b>
Depreciation	(3,220)	(3,078)
Impairment		0
<b>Net value</b>	<b>1,185</b>	<b>1,006</b>

Property, plant and equipment mainly consists of IT hardware and moveable fittings.

**Note 4 Shares in associates**

At 31 March 2020, this item included the value of shares in Bigben Interactive USA Inc. That company was wound up on 17 August 2020 and at 30 September 2020 there were no longer any companies accounted for under the equity method in the Group’s scope of consolidation.

**Note 5** Deferred tax assets/(liabilities)

in thousands of euros	30 September 2020	31 March 2020
Deferred tax assets relating to tax loss carryforwards	830	1,307
Other deferred taxes	2,223	1,472
<b>NET DEFERRED TAX</b>	<b>3,053</b>	<b>2,779</b>

in thousands of euros	1 April 2020	Recognised	Used	30 September 2020
NACON SAS	0		0	0
Cyanide SAS	1,106		(375)	731
BigBben Interactive GmbH	0		0	0
Kylotonn SAS	175		(75)	100
NACON Gaming Inc.	26		(26)	0
<b>TOTAL TAX LOSS CARRYFORWARDS</b>	<b>1,307</b>	<b>0</b>	<b>(477)</b>	<b>830</b>

These tax loss carryforwards were recognised on the basis of the entities' short-term taxable earnings prospects. See also Note 1 concerning deferred tax assets related to the acquisitions of development studios.

**Note 6** Inventories

in thousands of euros	30 September 2020	31 March 2020
<b>Gross value</b>	<b>38,678</b>	<b>39,191</b>
<b>of which physical inventories</b>	<b>32,442</b>	<b>37,744</b>
<b>of which goods in transit</b>	<b>6,235</b>	<b>1,447</b>
Impairment loss	(12,163)	(11,774)
<b>Net value</b>	<b>26,514</b>	<b>27,417</b>

The Group's revenue is generally subject to a degree of seasonal variation, with business levels in the second half higher than in the first half, due to higher sales of accessories during the holiday season. As a result, inventories at the end of the first half are traditionally higher than at 31 March. However, that was not the case at 30 September 2020, because strong sales during the first half of 2020/21 led to lower inventories of certain product lines.

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, for the NACON group, Sony ICs (security chips) used in controllers and the environmentally friendly packaging that NACON buys from its partner manufacturers in order to ensure consistent quality.

**Note 7 Trade receivables**

Trade receivables and other receivables are due in less than one year.

in thousands of euros	30 September 2020	31 March 2020
Trade receivables and notes	51,140	40,057
Impairment losses	(647)	(528)
<b>TOTAL TRADE RECEIVABLES</b>	<b>50,493</b>	<b>39,529</b>

The NACON group uses factoring for certain clients. The factoring agreement does not result in receivables being deconsolidated, and trade receivables factored but not settled by clients at 30 September 2020 were included in the "Trade receivables and notes" item. They amounted to €1.5 million (versus €0.3 million at 31 March 2020). 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.

**Breakdown of receivables due / not due**

in thousands of euros	30 September 2020		31 March 2020	
<b>Trade receivables not due</b>	<b>45,932</b>	<b>90%</b>	<b>35,371</b>	<b>88%</b>
<b>Trade receivables due</b>	<b>5,209</b>	<b>10%</b>	<b>4,686</b>	<b>12%</b>
in less than 30 days	2,557	49%	2,181	47%
in less than 90 days	680	13%	1,770	38%
in less than 1 year	1,661	32%	546	12%
in more than 1 year	(220)	-4%	(222)	-5%
doubtful receivables	531	10%	411	9%
<b>Trade receivables and notes</b>	<b>51,140</b>		<b>40,057</b>	

The NACON group does not have a material amount of receivables that show the risk of impairment.

NACON's customers are mainly international platforms, large distribution groups and major telecoms operators, 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.

**Note 8 Other receivables**

in thousands of euros	30 September 2020	31 March 2020
Central and local government (excluding income tax)	3,623	5,675
Personnel	53	45
Credits receivable from suppliers	0	565
Prepaid expenses	1,598	1,250
Shareholder loans	4,849	3,637
Miscellaneous receivables	688	590
<b>TOTAL</b>	<b>10,812</b>	<b>11,763</b>

Shareholder loans are made by NACON group companies to Bigben SA and Bigben España SL.

### Note 9 Cash and cash equivalents

in thousands of euros	30 September 2020	31 March 2020
Bank facilities	(4,448)	(2,209)
Marketable securities	600	750
Cash and cash equivalents	115,379	110,179
<b>Net cash and cash equivalents</b>	<b>111,530</b>	<b>108,721</b>

Cash and cash equivalents at 30 September 2020 consisted of €80 million in an 18-month term deposit account, in which the Group placed funds raised from the IPO of NACON SA. 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 10 Provisions

in thousands of euros	01/04/2020	Change in scope	Additions	Reversals		Exchange differences	Other	30/09/2020
				used	unused			
<b>/Non-current</b>	<b>659</b>		<b>91</b>		<b>(9)</b>			<b>742</b>
Provisions for contingencies								
- workforce-related								
- tax-related								
Provisions for losses - other								
Provisions for pension liabilities	659		91		(9)			742
<b>Current</b>	<b>530</b>		<b>25</b>					<b>555</b>
Provisions for contingencies	530		25					555
- commercial								
- workforce-related			25					25
- other	530							530
Provisions for losses - other								
<b>TOTAL</b>	<b>1,189</b>		<b>116</b>		<b>(9)</b>			<b>1,296</b>

### 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 30 September 2020. This position is similar to the one adopted at 31 March 2020.

### 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.

- The Group previously commenced proceedings against an accessories supplier for wrongful termination of a procurement contract. On 19 November 2019, the Berlin appeal court proposed a settlement favourable to NACON based on the value of the inventories. However, subsequently during the proceedings, the Berlin appeal court proposed a new settlement that was this time accepted by the parties, resulting in their dispute being settled out of court. This involved the supplier paying compensation, which was received on 3 November 2020, ending the dispute definitively.
- There is a dispute between a Canadian publisher and one of the Group'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. The legal proceedings are still in progress before the French courts.

### 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 replied 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.

### Note 11 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
<b>Total financial liabilities at 30 Sep. 2020</b>	<b>65,232</b>	<b>20,377</b>	<b>44,073</b>	<b>782</b>
Borrowings that were long-term at inception	60,713	15,858	44,073	782
Bank facilities	4,448	4,448		
Accrued interest not matured	70	70		
Other financing	0			
<b>Total financial liabilities at 31 March 2020</b>	<b>68,140</b>	<b>17,828</b>	<b>48,846</b>	<b>1,466</b>
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			

► **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.

Between 1 April 2020 and 30 September 2020, the Group did not take out any new borrowings.

The fair value of borrowings at 30 September 2020 was similar to their carrying amounts.

For some of the loans, NACON has undertaken to comply with the following annual financial covenants:

Covenants	Target value
<b>Interest cover</b> (EBITDA/interest expense)	<b>&gt; 6</b>
<b>Net leverage ratio</b> (Net debt/EBITDA)	<b>&lt; 2</b>

At 30 September 2020, there was no evidence that the financial ratios concerned would not be met at 31 March 2021.

**Note 12 Lease liabilities**

This item relates to lease liabilities arising from the adoption of IFRS 16.

<i>in thousands of euros</i>	01/04/2020	Acquisitions	Repayments	30/09/2020
Lease liabilities	<b>3,536</b>	1,321	(874)	<b>3,983</b>

**Note 13 Other payables**

<i>in thousands of euros</i>	30 September 2020	31 March 2020
Central and local government (excluding income tax)	2,624	2,576
Employees and social security agencies	4,508	3,871
Client discounts and trade payables	4,256	3,761
Derivative financial instruments	355	
Liabilities relating to non-current assets	23	1,647
Prepaid income	1,077	2,326
Miscellaneous creditors	3,100	3,708
<b>TOTAL</b>	<b>15,943</b>	<b>17,889</b>

Fair value of derivative financial instruments: see Note 22.

**Note 14 Equity**

The share capital is made up of 84,908,919 shares with par value of €1 each.

The Company was incorporated on 18 July 2019 with share capital of €10,000. After the spin-off of assets from Bigben Interactive SA on 31 October 2019, with retroactive effect from 1 October 2019, the share capital increased to €65,097,988.

On 4 March 2020, following the success of the public offering, which was four times oversubscribed (€7.7 million of subscriptions to the FPO with the extension clause fully exercised, and the IO fully subscribed), at a price of €5.50 per share, 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:

Date	Type of transaction	Number of shares			Capital increase			Par value per share	Share capital after transaction	Price per share
		Number of shares issued	Total number of shares in issue	Share capital issued	Issue or contribution premium	Gross proceeds from the capital increase				
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	

## Additional notes to the income statement

### Note 15 Revenue

In the first half of 2020/21, consolidated revenue from continuing operations amounted to €86.6 million, up 35.9% compared with reported revenue for the first half of 2019/20.

in thousands of euros	6-month total		Contribution	
	First half 2020/21	First half 2019/20	First half 2020/21	First half 2019/20
<b>Revenue</b>	<b>86,605</b>	<b>63,708</b>	<b>100%</b>	<b>100%</b>
<i>Gaming accessories</i>	51,556	23,645	60%	37%
<i>Physical games</i>	9,247	11,882	11%	19%
<i>Digital games</i>	23,582	25,889	27%	41%
<i>Other</i>	2,219	2,292	3%	4%

Revenue is measured on the basis of the consideration specified in an agreement signed with a client.

- Sales of retail games and accessories and Audio/Telco products: Revenue generated by sales of physical video games and accessories and Audio/Telco products 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 the Group 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 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 depending on future console and platform sales are recognised when those sales take place. 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 been made available to clients at the closing date. Currently, NACON does not sell video games with an "online services" component (using the company's own servers) or a "live ops" component allowing a gamer to receive online services with or without an additional payment. *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 16 Purchases consumed

in thousands of euros	First half 2020/21	First half 2019/20
Merchandise	(40,543)	(29,403)
Change in merchandise inventories	(370)	4,901
Change in impairment	(389)	5
<b>TOTAL</b>	<b>(41,302)</b>	<b>(24,497)</b>

Purchases consumed include the cost of producing physical games and the cost of sales relating to gaming accessories.

The change in impairment consists of the change in additions to impairment on inventories.

**Note 17 External expenses**

in thousands of euros	First half 2020/21	First half 2019/20
Purchases not held in inventory	(162)	(229)
Subcontracting	(936)	(564)
Rent	(77)	(83)
Maintenance and repairs	(347)	(314)
Insurance premiums	(102)	(134)
Other external services	(94)	(5)
External personnel	(1)	(158)
Fees	(1,937)	(1,344)
R&D expenses	(196)	(294)
Advertising	(2,440)	(4,183)
Transportation of goods sold	(1,171)	(1,108)
Travel costs	(57)	(810)
Communication costs	(412)	(480)
Bank fees and services	(80)	(96)
Other external expenses	(320)	(201)
<b>TOTAL</b>	<b>(8,332)</b>	<b>(10,002)</b>

**Note 18 Share-based payment - Bonus share and stock-option plans**

In the first half of 2020/21, a IFRS 2 expense of €1.8 million, corresponding to the fair value of bonus share plans existing at 30 September 2020, was recognised with a balancing entry under reserves.

See also Note 20, which covers the number of bonus shares vested or awarded during the period.

**Note 19 Net financial income/expense**

in thousands of euros	First half 2020/21	First half 2019/20
Interest and similar income	109	19
<b>FINANCIAL INCOME</b>	<b>109</b>	<b>19</b>
Interest expense on medium-term funding	(457)	(305)
Other interest expense	(12)	(204)
<b>FINANCIAL EXPENSE</b>	<b>(469)</b>	<b>(509)</b>
<b>NET FINANCIAL INCOME/EXPENSE EXCLUDING FOREIGN EXCHANGE GAINS/LOSSES</b>	<b>(360)</b>	<b>(491)</b>
Foreign exchange gains	359	305
Foreign exchange losses	(784)	(266)
<i>of which value of financial instruments</i>	<i>(355)</i>	<i>0</i>
<b>Foreign exchange gains and losses</b>	<b>(425)</b>	<b>39</b>
<b>NET FINANCIAL INCOME/EXPENSE</b>	<b>(785)</b>	<b>(452)</b>

The mark-to-market value of derivative financial instruments was €355 thousand at 30 September 2020 (see Note 22).

**Note 20 Earnings per share**

in euros	First half 2020/21
<b>Net income attributable to equity holders of the parent</b>	<b>9,605,466</b>
Weighted average number of shares	84,868,649
Dilutive effect of bonus shares*	1,123,983
Average number of shares after dilution	85,992,632
Par value of shares (in euros)	1.00 €
<b>Basic earnings per share</b>	<b>0.11</b>
<b>Diluted earnings per share</b>	<b>0.11</b>

**Weighted average number of shares used to calculate earnings per share**

in euros	First half 2020/21
Ordinary shares in issue at 1 April	84,908,919
Number of shares issued, adjusted on a <i>pro rata temporis</i> basis	
Treasury shares	40,270
<b>Number of shares at period-end</b>	<b>84,868,649</b>

\* In accordance with IAS 33 (“contingently issuable shares”): As with the calculation of basic earnings per share, contingently issuable shares are included, if they are dilutive, in the calculation of diluted earnings per share on the basis of the number of shares that would be issuable if the closing date of the period were the end of the contingency period. The issuance conditions must be met at the closing date. IAS 33 also states that the aim of diluted earnings per share is to present an earnings per share figure that takes into account maximum dilution, i.e. the maximum conversion of potential ordinary shares (IAS 33.44). In the spirit of IAS 33, the NACON group has taken into account the maximum dilutive effect of bonus share entitlements that have been granted to Group employees and could in future give rise to the creation of new shares (assuming that the vesting criteria are met).

On 7 September 2020, NACON SA’s Board of Directors awarded 1,123,983 bonus shares, mainly to employees and corporate officers of NACON group entities, i.e. 512 beneficiaries. The vesting of those shares after a 1- or 3-year period is again subject to an ongoing presence condition and a performance condition related to achieving a predetermined level of recurring operating income.

**3.2.6 Other information****Note 21 Dividends**

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. As a result, no dividends were paid in the first half of 2020/21.

**Note 22 Financial instruments**

At 30 September 2020, the group was a party to a FX TARN contract. 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. They involve a strategy that aims to fix an exchange rate without fixing the volume of currency purchases, which depend on movements in exchange rates in the market although the maximum amount is predetermined. 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.

The table below sets out the position at 30 September 2020:

Currency	Position	Status	Subscription date	Maturity date	Nominal in USD (thousands)	Exchange rate	At 30 September 2020, in thousands				
							Amount of USD purchased	Amount of USD sold	Amount of USD purchased net of USD sold	Maximum amount of USD still to be purchased	Mark-to-market value in euros
USD	Buy	Active	May 2020	June 2021	10,800	1.1660	400	400	0	0	
						1.1325	1,100	1,100	0	0	
						1.1140	1,400	1,400	0	7,400	
<b>355</b>											

The mark-to-market value of this financial instrument was €355 thousand at 30 September 2020.

► **Sensitivity:**

Foreign exchange gains and losses were simulated taking into account various EUR/USD exchange rate assumptions. Regardless of the exchange rate, the commitments related to these instruments cover around 16% of USD-denominated purchases in the half-year period, which means that there is no risk of overexposure.

**Note 23 Contractual repayment schedule**

The following table sets out, for financial liabilities recognised at 30 September 2020 (excluding current bank facilities, factoring and current interest not yet due), the contractual schedule for the repayment of principal and interest, excluding any discounting to present value.

in thousands of euros		MONTHS			YEARS					TOTAL
		0-1 months	1-3	3-12	1-2	2-3	3-4	4-5	More than 5	
Borrowings and debts	Principal	980	2,928	11,950	16,374	14,476	9,054	4,169	782	<b>60,713</b>
	Interest	37	129	431	411	233	103	31	4	<b>1,378</b>
Lease liabilities	Principal	181	237	1,203	1,081	522	292	293	174	<b>3,983</b>
Trade payables		30,766	1,386	1,790						<b>33,942</b>
Other payables		6,344	533	4,414	3,452	0	1,200			<b>15,943</b>
Current tax liabilities				4,049						<b>4,049</b>



► **Breakdown of debt by maturity and type**

At 30 September 2020:

in thousands of euros	YEARS						TOTAL
	Less than 1	1-2	2-3	3-4	4-5	More than 5	
Fixed rate	15,858	16,374	14,476	9,054	4,169	782	<b>60,713</b>
% / total 1	26%	27%	24%	15%	7%	1%	<b>100%</b>
Floating rate							<b>0</b>
% / total 2	0%	0%	0%	0%	0%	0%	<b>0%</b>
<b>TOTAL</b>	<b>15,858</b>	<b>16,374</b>	<b>14,476</b>	<b>9,054</b>	<b>4,169</b>	<b>782</b>	<b>60,713</b>

➡ **Currency risk on supplies**

in thousands of euros	First half 2020/21	First half 2019/20
Purchases made by European entities from Hong Kong	(11,362)	(11,928)
<b>TOTAL</b>	<b>(11,362)</b>	<b>(11,928)</b>
<b>Sensitivity to the USD exchange rate</b>		
+10% = benefit	1,033	1,092
-10% = additional cost	(1,262)	(1,335)

Most of the currency risk relates to USD-denominated items purchased by NACON SA from its NACON Hong Kong Ltd subsidiary.

**Note 24 Off-balance sheet commitments**

► **Guarantees given**

Commitments given	By	To	30 September 2020	Purpose of the commitment
Bank guarantee	Cyanide SAS	BRED	228	Pledge of Cyanide SAS business assets
Bank guarantee	Cyanide SAS	HSBC	239	Pledge of Cyanide SAS business assets
Bank guarantee	NACON SA	CIC	2,750	Pledge of Cyanide SAS shares
Bank guarantee	NACON SA	Banque Postale	2,864	Pledge of Cyanide SAS shares
Bank guarantee	NACON SA	CIC	1,215	Pledge of Kylotonn SAS shares
Bank guarantee	Kylotonn SAS	HSBC	247	Pledge of Kylotonn SAS business assets
Bank guarantee	NACON SA	CIC	3,200	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 25 Related-party disclosures**

Transactions with related parties concern commercial and financial transactions between the parent company and its subsidiaries, and mainly consist of the following:

- Purchases and sales of merchandise,
- Real-estate leasing,

- Cross-invoicing of administrative services,
- Current-account cash advances.

All the above agreements are formed on an arm's-length basis.

There were no transactions between related parties during the period that had a material influence on the financial position or earnings, and there were no changes affecting the transactions between related parties described in the annual report that could have a material influence on the financial position or earnings.

#### **Note 26 Post-balance sheet events**

##### **➡ Acquisition of an additional stake in Lunar Great Wall Studios Srl (RaceWard)**

On 29 July 2019, Bigben Interactive acquired a 43.15% stake in Italian development studio Lunar Great Wall Studios Srl, which is better known under its trade name RaceWard, with an option, exercisable at any time until 31 December 2021, to acquire a further 10% stake. That stake, along with all its other stakes in video game studios, was transferred to NACON through the spin-off on 31 October 2019. NACON exercised the aforementioned option on 7 October 2020, taking its stake in RaceWard to 53.15% and paying for the additional shares in cash.

##### **➡ Acquisition of 100% of Neopica**

On 19 October 2020, NACON acquired all of the capital and voting rights of development studio Neopica Srl for cash. Earn-out payments based on the quality and commercial potential of that studio's next two developments may be paid to the vendors in the 12 months after the games are released. Those payments are capped and contingent on the achievement of a certain quality level and volume of future games sales.

Neopica Srl will be consolidated in the Group's financial statements from the date of its acquisition.

The acquisition of Neopica is not material for the NACON group, and so no detailed proforma financial information will be required.

**4. STATUTORY AUDITORS' REPORT**

In compliance with the assignment entrusted to us by your articles of association and in accordance with the requirements of Article L.451-1-2 III of the French Monetary and Financial Code, we:

- carried out a limited review of NACON SA's condensed consolidated interim financial statements for the period from 1 April 2020 to 30 September 2020 as enclosed with this report;
- examined information provided in the interim business report.

The condensed consolidated interim financial statements were finalised by your Board of Directors on 30 November 2020 based on information available at that date against the background of the rapidly developing Covid-19 crisis and the difficulty of gauging its impact and the future outlook. Our role is to express a conclusion on these financial statements based on our limited review.

**I - Conclusion on the financial statements**

We conducted our limited review in accordance with professional standards applicable in France. A limited review consists mainly of conducting discussions with members of management responsible for accounting and financial matters, and carrying out analytical procedures. This work is less extensive than that required by an audit performed according to the prevailing standards of the profession in France. As a result, a limited review provides a moderate level of assurance, i.e. a lower level of assurance than that provided by an audit, that the financial statements as a whole are free of material misstatement.

Based on our limited review, nothing has come to our attention that would cause us to believe that the accompanying condensed consolidated interim financial statements are not prepared in accordance with IAS 34 "Interim financial reporting", which forms part of the IFRSs as endorsed by the European Union.

**II – Specific verification**

We also examined information provided in the Board of Director's interim business report, finalised on 30 November 2020, commenting on the condensed consolidated interim financial statements on which we carried out our limited review. We are satisfied that the information is fairly stated and agrees with the condensed consolidated interim financial statements.

Paris la Défense, 1 December 2020

Roubaix, 1 December 2020

**KPMG Audit**  
**Department of KPMG SA**

**Fiduciaire Métropole Audit**

Stéphanie Ortega

François Delbecq

*Partner*

*Partner*