



INTERIM FINANCIAL REPORT
FIRST HALF 2021/22

SIX MONTHS ENDED 30 SEPTEMBER 2021

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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 the first half of 2021/22 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 2021,

The Chief Executive Officer
Alain Falc

2. BUSINESS REPORT

2.1 KEY EVENTS IN THE FIRST HALF OF 2021/22

2.1.1 Operating activities

In the first half of 2021/22, NACON's revenue amounted to €73.0 million, down 15.7% year-on-year. Business levels in the first half of 2020/21 had been boosted by an exceptionally strong video games and accessories market during the first lockdowns.

in thousands of euros	6-month total		Contribution	
	First half 2021/22	First half 2020/21	First half 2021/22	First half 2020/21
Revenue	73,012	86,605	100%	100%
<i>of which</i>				
<i>Gaming accessories</i>	43,745	51,556	60%	60%
<i>Catalogue ⁽¹⁾</i>	11,046	14,823	15%	17%
<i>Back catalogue ⁽²⁾</i>	16,223	18,007	22%	21%
<i>Other</i>	1,998	2,219	3%	3%

⁽¹⁾ Revenue from games released since 1 April 2021

⁽²⁾ Revenue from games released in previous financial years

Sales of accessories in the first half of 2021/22 totalled €43.7 million, down 15.1% because of the high base for comparison and logistical problems affecting deliveries to US customers.

Video game revenue amounted to €27.3 million in the first half of 2021/22, down 16.9%, because of fewer new releases.

IFRS financial statements, in millions of euros	Six months ended 30 September		Change	
	2021	2020	€ m	%
Revenue	73.0	86.6	-13.6	-15.7%
<i>of which</i>				
<i>Gaming accessories</i>	43.7	51.6	-7.8	-15.2%
<i>Catalogue</i>	11.0	14.8	-3.8	-25.5%
<i>Back catalogue</i>	16.2	18.0	-1.8	-9.9%
<i>Other</i>	2.0	2.2	-0.2	-10.0%
Purchases consumed	(35.0)	(41.3)	6.3	-15.3%
Gross profit	38.0	45.3	-7.3	-16.0%
Operating expenses	(16.6)	(14.9)	-1.8	+11.8%
EBITDA	21.4	30.4	-9.0	-29.7%
Depreciation and amortisation of non-current assets	(13.0)	(14.7)	1.7	-11.9%
Recurring operating income	8.4	15.7	-7.3	-46.3%
Other operating income and expense	(4.0)	(1.8)		
Operating income	4.5	13.9	-9.4	-67.8%
Net financial income/expense	0.0	(0.8)	0.8	
Pre-tax income	4.5	13.1	-8.6	
Tax	(0.7)	(3.6)	2.8	
Net income	3.8	9.6	-5.8	-60.4%

⁽¹⁾ Revenue from games released since 1 April 2021

⁽²⁾ Revenue from games released in previous financial years

Gross profit totalled €38.0 million in the first half of 2021/22, equal to 52.1% of revenue as opposed to 52.3% in the first half of 2020/21.

The decline in accessories sales, the limited number of new releases and the increase in operating expenses to a more normal level post-lockdown caused recurring operating income to fall to €8.4 million, equal to 11.6% of revenue.

EBITDA amounted to €21.4 million or 29.3% of revenue.

Net financial income/expense included a €/€ foreign exchange gain of €0.3 million in the first half of 2021/22, factoring in the change in fair value of derivative financial instruments, along with the €0.4 million cost of bank debt.

NACON's net income amounted to €3.8 million, down from €9.6 million in the first half of 2020/21.

2.1.2 Other key events

◆ Ownership structure

⇒ **Capital increase following the vesting of bonus shares awarded in 2020**

On 7 September 2020, the Board of Directors awarded 1,068,983 bonus shares to employees and corporate officers of 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, 1,045,283 2020 bonus shares vested in 455 beneficiaries in 2021.

As a result, 1,045,283 new shares were issued through the capitalisation of reserves, increasing NACON's share capital to 85,954,202 shares with par value of €1 each.

The IFRS 2 consolidated expense with respect to the first half of 2021/22 was €2.5 million, with a balancing entry under reserves.

⇒ **2021 bonus share award**

In its meetings on 31 May 2021 and 8 September 2021, the Board of Directors awarded 949,402 bonus shares to employees and corporate officers of Group entities, i.e. 693 beneficiaries including 565 in France. Subject to an ongoing presence condition and a performance condition related to achieving a predetermined level of recurring operating income:

- 512,003 shares will vest at the end of one year,
- 437,399 shares will vest at the end of three years.

Based on the number of bonus shares vested, an issue of new shares will take place through the capitalisation of reserves, and a special appropriated earnings account equal to the total par value of the 949,402 shares awarded, i.e. €949,402, was set up at the time of the award.

The IFRS 2 consolidated expense with respect to the first half of 2021/22 was €351 thousand, with a balancing entry under reserves.

⇒ **Capital increase following the acquisition of Big Ant Holding Pty Ltd**

An initial earn-out payment corresponding to the net income generated in 2020/21 by Big Ant Studios Pty Ltd was paid to the vendors on 29 September 2021. In accordance with the acquisition agreement, 50% of the earn-out payment was paid in NACON SA shares, via a €1,662 thousand capital increase.

As a result, a capital increase with preferential subscription rights withheld took place on 29 September 2021, involving the issue of 337,208 shares with a value of €4.930 per share, corresponding to NACON's average closing share price on Euronext Paris in the 20 trading sessions preceding the transaction. As a result, NACON SA's share capital increased from €85,954,202 to €86,291,410.

◆ Change in scope:

⇒ **Acquisition of 100% of Passtech Games SAS**

On 1 April 2021, NACON acquired all of the capital and voting rights of Lyon-based development studio Passtech Games SAS, which specialises in making rogue-like action games.

In addition to the initial cash payment, two earn-out payments may be made in the three years following the acquisition, based on qualitative criteria and on the revenue generated by two video game projects.

Passtech Games SAS has been consolidated in the Group's financial statements from the date of its acquisition.

➔ Acquisition of 100% of Big Ant Holding Pty Ltd

On 3 May 2021, NACON acquired all of the capital and voting rights of development studio Big Ant Holding Pty Ltd, a development studio based in Melbourne, Australia and well known for its rugby, tennis, cricket and Australian Football League (AFL) sports franchises.

The purchase price was €18 million. In addition, eight earn-out payments may be made, depending on the situation, based on Big Ant's net revenue, on revenue generated by its back catalogue and cricket game until 2024, and on qualitative criteria relating to its tennis and rugby games. Each earn-out payment would be made 50% in cash and 50% in NACON shares, subject to a total aggregate amount of €14 million. The first earn-out payment was made on 29 September 2021 according to the agreed terms.

Big Ant Holding Pty Ltd has been consolidated in the Group's financial statements from the date of its acquisition.

➔ Acquisition of 100% of Crea-ture Studios Inc

On 30 July 2021, NACON acquired all of the capital and voting rights of Montreal-based development studio Crea-ture Studios Inc, which specialises in the development of skateboarding games.

In addition to the initial cash payment, two earn-out payments may be made in September 2023 and September 2024, based on qualitative criteria and on the revenue generated by the video game project currently being developed by the studio. A third earn-out payment may also be paid based on qualitative criteria relating to a video game project that is not yet in the development phase.

Crea-ture Studios Inc has been consolidated in the Group's financial statements from the date of its acquisition.

- ◆ Other events

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

Supply-chain disruption related to the global Covid-19 crisis affected sales in the first half of 2021/22, and particularly US sales because of delayed deliveries and congestion in ports.

To avoid component shortages and to secure its year-end accessories revenue, NACON brought forward some procurement orders. This resulted in an increase in inventories at end-September 2021.

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

Trade receivables at 30 September 2021 are being collected in accordance with agreed payment times.

➔ Changes in debt

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

2.1.3 Post-balance sheet events

➔ Acquisition of the remaining shares in Lunar Great Wall Studios (RaceWard)

In July 2019, the Group acquired a 43.15% stake in Milan-based studio Lunar Great Wall Studios, which specialises in developing motorbike racing games. In October 2020, the Group exercised an option to acquire an additional 10% stake. On 29 October 2021, NACON acquired all remaining shares in the company, taking its stake to 100%.

In addition to the initial cash payment, two earn-out payments may be made in the three years following the acquisition, based on qualitative criteria and on the revenue generated by a video game project that is not yet being developed by Lunar.

➔ Acquisition of 100% of Ishtar Games SAS

On 25 November 2021, NACON acquired all of the capital and voting rights of development studio Ishtar Games, which is known for making rogue-like action games.

In addition to the initial cash payment, two earn-out payments may be made, based on qualitative criteria and on the revenue generated by two video game projects.

2.2 INFORMATION ABOUT THE GROUP'S SHARES

2.2.1 Share capital

At 30 September 2021, NACON SA's share capital consisted of 86,291,410 shares, representing 86,291,410 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 €4.695 on 30 September 2021, the Company's market capitalisation at that date was €405.14 million.

2.2.2 Crossing of ownership disclosure thresholds

No ownership disclosure thresholds were crossed during the reference period from 1 April to 30 September 2021.

The Company's ownership structure at 30 September 2021 was as follows:

Shareholders	% of capital	% of voting rights ⁽¹⁾
Bigben Interactive SA	75.44%	71.32%
Shares lent to BNP Arbitrage ⁽²⁾		4.12%
Bpifrance Investissement ⁽³⁾	2.11%	2.11%
CDC Croissance ⁽³⁾	2.51%	2.51%
Free float	19.89%	19.94%
Liquidity agreement	0.05%	0.00%
Total	100.00%	100.00%

(1) Gross voting rights.

(2) Including 3,555,937 shares lent to BNP Paribas for coverage purposes in relation to the Bigben Interactive bond issue.

(3) Bpifrance Investissement is a fund managed by Bpifrance Participations. Bpifrance Participations is owned by Bpifrance SA, which is in turn 50%-owned by Caisse des Dépôts et Consignations (CDC)

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

To optimise its future revenue, NACON decided to delay the release of *Vampire: The Masquerade®– Swansong*, *Blood Bowl 3®*, *Train Life* and *Hotel Life* until the 2022/23 financial year. The additional time spent on development will improve their quality and therefore their commercial performance. As a result, NACON is no longer expecting the previously anticipated improvement in business levels in the second half of 2021/22.

Second-half performance will be boosted by the release of *Cricket 2022* – since there are 1.5 billion cricket fans around the world – and *Roguebook* for consoles (*PlayStation™* and *Xbox®*). NACON will also launch its *Revolution X Pro Controller* for *Xbox®*.

Due to its policy of bringing forward procurement orders ahead of the festive season, NACON is unlikely to suffer greatly from electronic component shortages in the second half.

↪ **Adjustment of guidance for 2021/22 and 2022/23**

Given the delayed release of the four aforementioned games, NACON is adjusting its guidance.

- It is reducing its guidance for 2021/22, and now expects revenue of €150-180 million and recurring operating income of around €20 million.
- It is increasing its guidance for 2022/23, and now expects revenue of €250-300 million and recurring operating margin of over 20%.

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

3.1 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3.1.1 Statement of financial position

<i>in thousands of euros</i>	Notes	30 September 2021	31 March 2021
Goodwill	1	73,844	31,150
Right-of-use assets	2	4,747	4,652
Other intangible assets	2	106,899	91,248
Property, plant and equipment	3	2,121	1,762
Shares in associates	4	0	(0)
Other financial assets		1,265	1,107
Deferred tax assets	5	3,747	3,618
Non-current assets		192,623	133,538
Inventories	6	35,272	25,046
Trade receivables	7	42,053	47,017
Other receivables	8	11,512	10,214
Current tax assets		4,382	4,951
Cash and cash equivalents	9	62,555	96,746
Current assets		155,774	183,974
TOTAL ASSETS		348,397	317,512
Share capital		86,291	84,909
Share premiums		75,005	73,679
Consolidated reserves		54,328	34,045
Net income for the period		3,767	18,297
Exchange differences		(178)	(205)
Equity attributable to equity holders of the parent		219,213	210,725
Equity attributable to non-controlling interests		(246)	(257)
Total equity	15	218,967	210,467
Long-term provisions	10	1,034	1,083
Long-term financial liabilities	11	28,368	36,535
Long-term lease liabilities	12	3,009	2,932
Other non-current liabilities	13	20,185	0
Deferred tax liabilities		626	486
Non-current liabilities		53,223	41,035
Short-term provisions	10	530	543
Short-term financial liabilities	11	21,794	18,266
Short-term lease liabilities	12	1,773	1,757
Trade payables		30,088	21,181
Other payables	14	19,424	17,503
Current tax liabilities		2,599	6,759
Current liabilities		76,207	66,009
Total equity and liabilities		348,397	317,512

3.1.2 Statement of profit or loss and other comprehensive income

(in thousands of euros)	Notes	First half 2021/22	First half 2020/21
Revenue	16	73,012	86,605
Purchases consumed	17	(34,971)	(41,302)
Gross profit		38,041	45,303
Gross margin (% of revenue)		52.1%	52.3%
Other operating revenue		515	257
Other purchases and external expenses	18	(9,664)	(8,332)
Taxes other than income tax		(325)	(125)
Personnel costs		(6,726)	(6,367)
Other operating expenses		(435)	(333)
Gains or losses on disposals of non-current assets		(6)	19
EBITDA *		21,401	30,422
EBITDA margin (% of revenue)		29.3%	35.1%
Depreciation and amortisation of non-current assets		(12,952)	(14,693)
Recurring operating income		8,449	15,729
Recurring operating margin (% of revenue)		11.6%	18.2%
Bonus share and stock-option plans	19	(3,970)	(1,822)
Income from associates		0	0
Operating income		4,479	13,907
Net financial income/expense	20	40	(785)
Pre-tax income		4,519	13,122
Income tax		(741)	(3,570)
Net income for the period		3,778	9,551
Exchange differences		27	(378)
Actuarial gains and losses		7	0
Comprehensive income for the period		3,812	9,173
Net income for the period		3,778	9,551
Attributable to non-controlling interests		11	-54
Net income attributable to equity holders of the parent		3,767	9,605

Earnings per share

Basic earnings per share (in euros)	21	€0.04	€0.11
<i>Weighted average number of shares before capital increase</i>		84,930,815	84,868,649
<i>Net income attributable to equity holders of the parent</i>		3,766,909	9,605,466
Diluted earnings per share (in euros)	21	€0.04	€0.11
<i>Average number of shares after dilution</i>		87,296,139	85,992,632
<i>Net income attributable to equity holders of the parent</i>		3,766,909	9,605,466

3.1.3 Statement of changes in consolidated equity

in thousands of euros	Note	Number of shares	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			
Consolidated equity at 31 March 2020		84,908,919	84,909	73,680	29,183	111	187,883	(262)	187,620
Income in the first half of 2020/21					9,605		9,605	(54)	9,551
Other comprehensive income						(378)	(378)		(378)
Comprehensive income					9,605	(378)	9,227	(54)	9,173
Bonus share plans					1,822		1,822		1,822
Liquidity agreement					(112)		(112)		(112)
Consolidated equity at 30 September 2020		84,908,919	84,909	73,680	40,498	(267)	198,820	(316)	198,504

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			
Consolidated equity at 31 March 2021		84,908,919	84,909	73,680	52,340	(205)	210,725	(257)	210,467
Income in the first half of 2021/22					3,767		3,767	11	3,778
Other comprehensive income					7	27	34		34
Comprehensive income					3,774	27	3,800	0	3,800
Capital increase		337,208	337	1,325			1,662		1,662
Capital increase – Bonus shares		1,045,283	1,045		(1,045)		0		
Bonus share plans					3,109		3,109		3,109
Liquidity agreement					(84)		(84)		(84)
Consolidated equity at 30 September 2021		86,291,410	86,291	75,005	58,094	(178)	219,213	(246)	218,967

3.1.4 Consolidated cash flow statement

<i>in thousands of euros</i>	Notes	First half 2021/22	First half 2020/21
Net cash flow from operating activities			
Net income for the period		3,767	9,605
<i>Elimination of income and expenses that have no cash impact or are unrelated to operating activities</i>			
• Income from associates			0
• Attributable to non-controlling interests		11	(54)
• Additions to depreciation, amortisation and impairment		12,952	14,693
• Change in provisions		(73)	148
• Net financial income/expense		378	437
• Net gain or loss on disposals		6	(6)
• Other non-cash income and expense items		3,118	1,822
• Income tax expense		741	3,570
Funds from operations		20,900	30,216
Inventories		(10,120)	759
Trade receivables	7 - 8	5,303	(10,234)
Trade payables	14	2,339	17,210
Change in WCR		(2,478)	7,735
Cash from operating activities		18,423	37,951
Income tax paid		(694)	(3,855)
NET CASH FLOW FROM OPERATING ACTIVITIES		17,728	34,096
Cash flow from investing activities			
Purchases of intangible assets	2	(27,356)	(24,147)
Purchases of property, plant and equipment	3	(558)	(434)
Disposals of property, plant and equipment and intangible assets		6	47
Purchases of non-current financial assets		(114)	(48)
Disposals of non-current financial assets		8	52
Disbursements relating to acquisitions of subsidiaries net of net cash acquired		(17,544)	0
NET CASH FLOW FROM INVESTING ACTIVITIES		(45,558)	(24,531)
Cash flow from financing activities			
Sales / purchases of own shares		(94)	(113)
Dividends paid to the parent company's shareholders		0	0
Interest paid		(370)	(424)
Decrease in lease liabilities		(974)	(874)
Cash inflows from borrowings		0	0
Repayments of borrowings and debts		(8,090)	(5,161)
Other		(1)	0
NET CASH FLOW FROM FINANCING ACTIVITIES		(9,530)	(6,571)
Impact of changes in exchange rates		(216)	(184)
Net change in cash and cash equivalents		(37,575)	2,809
Cash and cash equivalents at start of period		94,906	108,721
Cash and cash equivalents at end of period	9	57,331	111,530

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 2021. 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 14 development studios, AA video game publishing and the design and distribution of premium gaming peripherals, NACON has 30 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

➔ Statement of compliance

The condensed consolidated interim financial statements for the six-month period ended 30 September 2021 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 2021 (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).

The same accounting policies were applied for the six months ended 30 September 2021 as those applied to the year ended 31 March 2021.

The Group’s condensed consolidated interim financial statements for the six months ended 30 September 2021 and the related notes were finalised by the Board of Directors in its meeting on 29 November 2021.

➔ 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 2021, 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. The distribution of costs over the four years was re-estimated at 1 April 2021, taking into account market developments.

➤ 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 2021, except for standards that have come into force since 1 April 2021, 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 2021

New IFRS texts	EU adoption date (periods starting on or after)
Amendments to IFRS 4 – Extension of the temporary exemption from applying IFRS 9	01/01/21
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform – Phase 2	01/01/21

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

New IFRS texts	EU adoption date (periods starting on or after)
Amendments to IFRS 3 – Reference to the conceptual framework	01/01/22 *
Amendments to IAS 37 – Onerous contracts – Cost of fulfilling a contract	01/01/22 *
Amendments to IFRS 16 – Covid-19-related rent concessions beyond 30 June 2021	01/04/21 *

* Subject to endorsement by the European Union

The Group has not opted for early adoption of other standards and amendments that may be adopted early or that will be mandatory in 2022/23.

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	53.15%	Full consolidation
NACON GAMING INC	United States	100.00%	Full consolidation
NACON PTY Ltd	Australia	100.00%	Full consolidation
NEOPICA SRL	Belgium	100.00%	Full consolidation
PASSTECH GAMES SAS	France	100.00%	Full consolidation
BIG ANT HOLDING PTY Ltd	Australia	100.00%	Full consolidation
CREA-TURE INC.	Canada	100.00%	Full consolidation

➔ Change in scope

Three companies joined the scope of consolidation during the period:

- Passtech Games SAS from its acquisition date of 1 April 2021,
- Big Ant Holding Pty Ltd from its acquisition date of 3 May 2021,
- Crea-ture Inc from its acquisition date of 30 July 2021.

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 mainly 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 2021/22	First half 2020/21	First half 2021/22	First half 2020/21
Revenue		73,012	86,605	100%	100%
<i>of which</i>	<i>Gaming accessories</i>	43,745	51,556	60%	60%
	<i>Catalogue ⁽¹⁾</i>	11,046	14,823	15%	17%
	<i>Back catalogue ⁽²⁾</i>	16,223	18,007	22%	21%
	<i>Other</i>	1,998	2,219	3%	3%

⁽¹⁾ Revenue from games released since 1 April 2021

⁽²⁾ Revenue from games released in previous financial years

Given the way in which the distribution subsidiaries were carved out in the spin-off from Bigben Interactive to NACON, a small amount of Mobile and Audio revenue is still included in the "Other" category.

➔ Revenue by geographical zone

in thousands of euros		6-month total		Contribution	
		First half 2021/22	First half 2020/21	First half 2021/22	First half 2020/21
Revenue		73,012	86,605	100.0%	100.0%
<i>of which</i>	<i>France</i>	10,484	14,744	14%	17%
	<i>Export</i>	62,528	71,861	86%	83%

Export revenue by geographical zone		62,528	71,861	100.0%	100.0%
	<i>Europe</i>	32,077	37,815	51.3%	52.6%
	<i>North America</i>	23,994	28,215	38.4%	39.3%
	<i>Asia</i>	6,340	5,594	10.1%	7.8%
	<i>Africa</i>	116	237	0.2%	0.3%

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	Neopica	RaceWard	Passtech	Big Ant	Crea-ture	TOTAL
Goodwill arising from transactions in six-month period ended 30 September 2021	1,088	12,539	6,058	3,770	5,273	2,077	345	2,700	29,387	10,607	73,844
Impairment loss											0
Business combinations								2,700	29,387	10,607	42,694
Goodwill arising from transactions in the financial year ended 31 March 2021	1,088	12,539	6,058	3,770	5,273	2,077	345				31,150

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

Transactions that took place in 2020/21 that may affect the current period

- **Acquisition of 100% of Neopica Srl**

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.

€0.6 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 mainly take into account Neopica's historical sales figures as at the acquisition date and the Metacritic score for its most recent games Overpass and Hunting Simulator 2, released in February 2020 and June 2020 respectively, on the assumption that the next few games developed by Neopica 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.

The measurement of the Neopica Srl's assets acquired and liabilities assumed is as follows:

	<i>In thousands of euros</i>
Property, plant and equipment	20
Deferred tax assets	91
Receivables	73
Cash and cash equivalents	441
Prepaid expenses	4
Miscellaneous liabilities	-106
Total identifiable net assets acquired	523
Goodwill	2,077
Fair value of the consideration transferred	2,600

This goodwill determination was definitive at 30 September 2021.

Description of transactions in the first half of 2021/22**- Acquisition of 100% of Passtech Games SAS**

On 1 April 2021, NACON acquired all of the capital and voting rights of Lyon-based development studio Passtech Games SAS, which specialises in making rogue-like action games.

In addition to the initial cash payment, two earn-out payments may be made in the three years following the acquisition, based on qualitative criteria and on the revenue generated by two video game projects. €2.0 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 mainly take into account historical sales figures and the Metacritic score for Passtech's most recent game Curse of the Dead Gods, on the assumption that the next game developed by the company will have 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.

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 assets acquired and liabilities assumed is as follows:

	<i>In thousands of euros</i>
Intangible assets	54
Property, plant and equipment	13
Financial assets	5
Deferred tax assets	23
Trade receivables	281
Cash and cash equivalents	107
Prepaid expenses	7
Provisions for contingencies	-3
Debt	-54
Trade payables	-132
Total identifiable net assets acquired	300
Goodwill	2,700
Fair value of the consideration transferred	3,000

- Acquisition of 100% of Big Ant Holding Pty Ltd

On 3 May 2021, NACON acquired all of the capital and voting rights of development studio Big Ant Holding Pty Ltd, a development studio based in Melbourne, Australia and well known for its rugby, tennis, cricket and Australian Football League (AFL) sports franchises.

The purchase price was €18 million. In addition, eight earn-out payments may be made, depending on the situation, based on Big Ant's net revenue, on revenue generated by its back catalogue and cricket game until 2024, and on qualitative criteria relating to its tennis and rugby games. Each earn-out payment would be made 50% in cash and 50% in NACON shares. €14.0 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 mainly take into account Big Ant's historical sales figures as at the acquisition date.

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.

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 assets acquired and liabilities assumed is as follows:

	<i>In thousands of euros</i>
Intangible assets	919
Property, plant and equipment	79
Financial assets	48
Trade receivables	423
Cash and cash equivalents	4,571
Debt	-903
Trade payables	-2,206
Total identifiable net assets acquired	2,932
Goodwill	29,387
Fair value of the consideration transferred	32,319

- Acquisition of 100% of Crea-ture Studios Inc

On 30 July 2021, NACON acquired all of the capital and voting rights of Montreal-based development studio Crea-ture Studios Inc, which specialises in the development of skateboarding games.

In addition to the initial cash payment, two earn-out payments may be made in September 2023 and September 2024, based on qualitative criteria and on the revenue generated by the Session video game currently being developed by the studio. A third earn-out payment may also be paid based on qualitative criteria relating to a video game project that is not yet in the development phase. €9.5 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.

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.

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 assets acquired and liabilities assumed is as follows:

	<i>In thousands of euros</i>
Property, plant and equipment	9
Receivables	187
Cash and cash equivalents and miscellaneous	110
Miscellaneous liabilities	-63
Total identifiable net assets acquired	243
Goodwill	10,607
Fair value of the consideration transferred	10,850

Goodwill impairment tests

At 30 September 2021, 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 2021	31 March 2021
Gross value	203,705	174,502
Amortisation	(92,059)	(78,222)
Impairment	0	(379)
Net value	111,646	95,901

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 2021, game development costs had a gross value of €180,544 thousand and amortisation totalled €85,329 thousand, giving a net value of €95,215 thousand. The increase in development costs is due to growth in the Publishing business.
- At 30 September 2021, the “Trademarks” item mainly consisted of trademarks owned by the development studio Cyanide and the RIGTM trademark belonging to the NACON group, following the acquisition of Cyanide in the year ended 31 March 2019 and the acquisition of RIGTM assets from Poly in the year ended 31 March 2020. At 30 September 2021, the net carrying amount of trademarks was €10,484 thousand.
- The “Right-of-use assets” item relates to leases, arising from the application of IFRS 16 from the 2019/20 financial year onwards, with a net carrying amount of €4,747 thousand at 30 September 2021.

Note 3 Property, plant and equipment

in thousands of euros	30 September 2021	31 March 2021
Gross value	5,830	4,826
Depreciation	(3,710)	(3,064)
Impairment		
Net value	2,121	1,762

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

Note 4 Shares in associates

There are no companies accounted for under the equity method.

Note 5 Deferred tax assets/(liabilities)

in thousands of euros	30 September 2021	31 March 2021
Deferred tax assets relating to tax loss carryforwards	711	846
Other deferred taxes	2,410	2,286
NET DEFERRED TAX	3,121	3,132

in thousands of euros	1 April 2021	Company entering the scope of consolidation	Recognised	Used	30 September 2021
NACON SA	0			0	0
Cyanide SAS	629			(123)	507
Lunar Great Wall Studios Srl	156			(12)	144
Passtech SAS	0	22		(22)	0
Neopica Srl	60			0	60
NACON Gaming Inc.	0			0	0
TOTAL TAX LOSS CARRYFORWARDS	846	22	0	(157)	711

These tax loss carryforwards were recognised on the basis of the entities’ short-term taxable earnings prospects.

Note 6 Inventories

in thousands of euros	Gaming accessories	Video Games	Other	30 September 2021	31 March 2021
Gross value	34,000	10,817	904	45,721	37,540
of which physical inventories	25,094	10,817	904	36,815	34,070
of which goods in transit	8,906			8,906	3,470
Impairment loss	(5,305)	(5,134)	(10)	(10,449)	(12,494)
Net value	28,695	5,683	894	35,272	25,046

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.

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 2021	31 March 2021
Trade receivables and notes	42,805	47,762
Impairment losses	(752)	(745)
TOTAL TRADE RECEIVABLES	42,053	47,017

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 2021 were included in the "Trade receivables and notes" item. They amounted to €1.6 million (versus €2.0 million at 31 March 2021). 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	First half 2021/22		31 March 2021	
Trade receivables not due	39,025	91%	37,762	79%
Trade receivables due	3,780	9%	10,001	21%
in less than 30 days	2,608	69%	7,179	72%
in 30-60 days	329	9%	1,541	15%
in 60-90 days	(93)	-2%	297	3%
in 90-120 days	207	5%	315	3%
in more than 120 days	152	4%	137	1%
Doubtful receivables	578	15%	531	5%
Trade receivables and notes	42,805		47,762	

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.

Note 8 Other receivables

in thousands of euros	30 September 2021	31 March 2021
Central and local government (excluding income tax)	3,425	3,648
Personnel	129	197
Credits receivable from suppliers	1	92
Prepaid expenses	2,609	1,788
Advances and downpayments on orders	3,444	2,328
Shareholder loans	1,230	1,585
Miscellaneous receivables	675	577
TOTAL	11,512	10,214

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 2021	31 March 2021
Bank facilities	(5,224)	(1,840)
Marketable securities	600	600
Cash and cash equivalents	61,955	96,146
Net cash and cash equivalents	57,331	94,906

Note 10 Provisions

in thousands of euros	01/04/2021	Change in scope	Additions	Reversals		Exchange differences	Other	30/09/2021
				used	unused			
Non-current	1,083				(48)			1,034
Provisions for contingencies								
- workforce-related								
- tax-related								
Provisions for losses - other								
Provisions for pension liabilities	1,083				(48)			1,034
Current	543			(13)				530
Provisions for contingencies	543			(13)				530
- commercial								
- workforce-related	13			(13)				
- other	530							530
Provisions for losses - other								
TOTAL	1,626			(13)	(48)			1,564

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 2021. This position is similar to the one adopted at 31 March 2021.

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.

- 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.
- There is a dispute between one of NACON SA's studios and a licensor, relating to the licensor's unjustified opposition to the release of a video game. NACON SA is considering commencing legal action in the near future to obtain a ruling that the licensor's opposition is wrongful and groundless, along with damages to compensate for the harm suffered by NACON SA and its studio.
- 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 and the dispute is not of a serious nature. At this stage in the proceedings, the probability and potential amount of any outflow of resources cannot be estimated. As a result, no provisions had been set aside in relation to these proceedings at 30 September 2021.

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
Total financial liabilities at 30 Sep. 2021	50,162	21,794	28,368	0
Borrowings that were long-term at inception	44,892	16,524	28,368	0
Bank facilities	5,224	5,224		
Accrued interest not matured	46	46		
Other financing	0			
Total financial liabilities at 31 March 2021	54,800	18,266	36,285	250
Borrowings that were long-term at inception	52,922	16,387	36,285	250
Bank facilities	1,840	1,840		
Accrued interest not matured	39	39		
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 RIGTM trademark.

Between 1 April 2021 and 30 September 2021, the Group did not take out any new borrowings.

The fair value of borrowings at 30 September 2021 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
Interest cover (EBITDA/interest expense)	> 6
Net leverage ratio (Net debt/EBITDA)	< 2

At 30 September 2021, there was no evidence that the financial ratios concerned would not be met at 31 March 2022.

Note 12 Lease liabilities

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

<i>in thousands of euros</i>	01/04/2021	Companies entering the scope of consolidation	Acquisitions	Repayments	30/09/2021
Lease liabilities	4,689	812	256	(974)	4,782

Note 13 Other non-current liabilities

Other non-current liabilities include earn-out payments that are expected to take place in over 12 months' time.

Note 14 Other payables

<i>in thousands of euros</i>	30 September 2021	31 March 2021
Central and local government (excluding income tax)	2,875	2,973
Employees and social security agencies	4,969	5,193
Client discounts and trade payables	5,104	3,982
Derivative financial instruments	13	183
Liabilities relating to non-current assets		4
Prepaid income	735	1,184
Miscellaneous creditors (including earn-out liabilities)	5,727	3,982
TOTAL	19,424	17,503

Fair value of derivative financial instruments: see Note 22.

Note 15 Equity

The share capital is made up of 86,291,410 shares with par value of €1 each.

NACON is part of the Bigben group and was formed on 18 July 2019 to optimise its areas of expertise and generate synergies between them in the video game market. After the spin-off of assets from Bigben Interactive SA on 31 October 2019, with retroactive effect from 1 October 2019, NACON's share capital amounted to €65,097,988.

The company's initial public offering on 4 March 2020 then increased its capital by 19,810,931 shares.

At 30 September 2021, Bigben Interactive SA owned 75.4% of NACON's capital.

➔ **Additional notes to the income statement**

Note 16 Revenue

In the first half of 2021/22, consolidated revenue from continuing operations amounted to €73.0 million, down 15.7% compared with reported revenue for the first half of 2020/21.

in thousands of euros	6-month total		Contribution	
	First half 2021/22	First half 2020/21	First half 2021/22	First half 2020/21
Revenue	73,012	86,605	100%	100%
<i>of which</i>				
<i>Gaming accessories</i>	43,745	51,556	60%	60%
<i>Catalogue</i>	11,046	14,823	15%	17%
<i>Back catalogue</i>	16,223	18,007	22%	21%
<i>Other</i>	1,998	2,219	3%	3%

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 its 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 17 Purchases consumed

in thousands of euros	First half 2021/22	First half 2020/21
Merchandise	(45,091)	(40,543)
Change in merchandise inventories	8,075	(370)
Change in impairment	2,045	(389)
TOTAL	(34,971)	(41,302)

Purchases consumed include the cost of producing physical games and the cost of sales relating to accessories. Inventory reductions during the six-month period led to provision releases in a gross amount of €2.1 million.

Note 18 External expenses

in thousands of euros	First half 2021/22	First half 2020/21
Purchases not held in inventory	(287)	(162)
Subcontracting	(1,086)	(936)
Rent	(262)	(77)
Maintenance and repairs	(371)	(347)
Insurance premiums	(141)	(102)
Other external services	(173)	(94)
External personnel	(61)	(1)
Fees	(2,100)	(1,937)
R&D expenses	(168)	(196)
Advertising	(3,093)	(2,440)
Transportation of goods sold	(813)	(1,171)
Travel costs	(188)	(57)
Communication costs	(408)	(412)
Bank fees and services	(107)	(80)
Other external expenses	(408)	(320)
TOTAL	(9,664)	(8,332)

Note 19 Share-based payment - Bonus share and stock-option plans

The Board of Directors has used the authorisation given to it by shareholders in the Shareholders' General Meeting to award bonus shares to employees and corporate officers of NACON group entities. Seven bonus share plans were set up during the period, relating to a maximum of 949,402 NACON SA shares. These plans involve vesting periods of between one and three years. The income statement impact relating to the fair value of these plans was €0.4 million in the first half of 2021/22, with the remainder of the expense recognised concerning plans set up in previous years.

Note 20 Net financial income/expense

in thousands of euros	First half 2021/22	First half 2020/21
Interest and similar income	102	109
FINANCIAL INCOME	102	109
Interest expense on medium-term funding	(388)	(457)
Other interest expense	0	(12)
FINANCIAL EXPENSE	(388)	(469)
NET FINANCIAL INCOME/EXPENSE EXCLUDING FOREIGN EXCHANGE GAINS/LOSSES	(287)	(360)
Foreign exchange gains	1,400	359
Foreign exchange losses	(1,073)	(784)
<i>of which value of financial instruments</i>	(13)	(355)
Foreign exchange gains and losses	327	(425)
NET FINANCIAL INCOME/EXPENSE	40	(785)

The mark-to-market value of derivative financial instruments was €13 thousand at 30 September 2021 (see Note 22).

Note 21 Earnings per share

in euros	First half 2021/22	First half 2020/21
Net income attributable to equity holders of the parent	3,766,909	9,605,466
Weighted average number of shares	84,930,815	84,868,649
Dilutive effect of bonus shares ⁽¹⁾	2,029,964	1,123,983
Dilutive effect of shares issued in relation to earn-out payments ⁽²⁾	335,360	
Average number of shares after dilution	87,296,139	85,992,632
Par value of shares (in euros)	1.00 €	1.00 €
Basic earnings per share	0.04	0.11
Diluted earnings per share	0.04	0.11

Weighted average number of shares used to calculate earnings per share

in euros	First half 2021/22	First half 2020/21
Ordinary shares in issue at 1 April	84,908,919	84,908,919
Number of shares issued, adjusted on a prorata temporis basis	64,851	
Treasury shares	(42,955)	(40,270)
Number of shares at period-end	84,930,815	84,868,649

(1) *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).*

(2) *In relation to the first Big Ant Studios Pty Ltd earn-out payment, NACON also carried out a capital increase in an amount of 337,208 shares on 29 September 2021.*

3.2.6 Other information**Note 22 Dividends**

In its meeting on 31 May 2021, the Board of Directors decided not to put any dividend payment with respect to 2020/21 to the vote in the Shareholders’ General Meeting of 30 July 2021. As a result, no dividends were paid in the first half of 2021/22.

Note 23 Financial instruments

At 30 September 2021, the group was a party to an “FX accumulator” option. TARNs/accumulators are complex structured derivatives through which the Group undertakes to buy or sell foreign currencies 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 exchange rate between the euro and the foreign currency in question (upward or downward respectively depending on whether the Company is buying or selling the foreign currency), 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 2021:

Currency	Position	Status	Subscription date	Maturity date	Nominal in USD (thousands)	Exchange rate	At 30 September 2021, in thousands				
							Amount purchased	Amount sold	Amount purchased minus amount sold	Maximum amount still to be purchased	Mark-to-market value in euros
GBP	Sale	Active	Jan 21	Jan 22	4,240	0.8650	2,520	2,520	0	1,360	13
											13

The mark-to-market value of this financial instrument was €13 thousand at 30 September 2021.

► **Sensitivity:**

Foreign exchange gains and losses were simulated taking into account various EUR/GBP exchange rate assumptions. The maximum commitments related to this instrument cover 65% of GBP-denominated purchases in the second half of 2021/22, removing any risk of overexposure.

Note 24 Contractual repayment schedule

The following table sets out, for financial liabilities recognised at 30 September 2021 (excluding current bank facilities, factoring and current interest not yet due), the contractual schedule for disbursements, excluding any discounting to present value.

in thousands of euros	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years or more	TOTAL
Borrowings and debts	16,524	14,413	9,054	4,119	782	0	44,892
Lease liabilities	1,773	1,690	610	372	311	27	4,782
Total financial liabilities	18,296	16,103	9,664	4,490	1,093	27	49,674

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

At 30 September 2021:

in thousands of euros	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years or more	TOTAL
Fixed rate	16,524	14,413	9,054	4,119	782	0	44,892
% / total 1	37%	32%	20%	9%	2%	0%	100%
Floating rate							0
% / total 2	0%	0%	0%	0%	0%	0%	0%
TOTAL	16,524	14,413	9,054	4,119	782	0	44,892

➤ Currency risk on supplies

in thousands of euros	First half 2021/22	First half 2020/21
Purchases made by European entities from Hong Kong	(18,800)	(11,362)
TOTAL	(18,800)	(11,362)
Sensitivity to the USD exchange rate		
+10% = benefit	1,709	1,033
-10% = additional cost	(2,089)	(1,262)

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

Note 25 Off-balance sheet commitments

▶ Guarantees given

Commitments given	By	To	30 September 2021	Purpose of the commitment
Bank guarantee	Cyanide SAS	BRED	130	Pledge of Cyanide SAS business assets
Bank guarantee	Cyanide SAS	HSBC	147	Pledge of Cyanide SAS business assets
Bank guarantee	NACON SA	CIC	1,750	Pledge of Cyanide SAS shares
Bank guarantee	NACON SA	Banque Postale	1,862	Pledge of Cyanide SAS shares
Bank guarantee	NACON SA	CIC	815	Pledge of Kylotonn SAS shares
Bank guarantee	Kylotonn SAS	HSBC	314	Pledge of Kylotonn SAS business assets
Bank guarantee	NACON SA	CIC	2,400	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 26 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 27 Post-balance sheet events

➤ Acquisition of the remaining shares in Lunar Great Wall Studios (RaceWard)

In July 2019, the Group acquired a 43.15% stake in Milan-based studio Lunar Great Wall Studios, which specialises in developing motorbike racing games. In October 2020, the Group exercised an option to acquire an additional 10% stake. On 29 October 2021, NACON acquired all remaining shares in the company, taking its stake to 100%.

In addition to the initial cash payment, two earn-out payments may be made in the three years following the acquisition, based on qualitative criteria and on the revenue generated by a video game project that is not yet being developed by Lunar.

➔ **Acquisition of 100% of Ishtar Games SAS**

On 25 November 2021, NACON acquired all of the capital and voting rights of development studio Ishtar Games, which is known for making rogue-like action games.

In addition to the initial cash payment, two earn-out payments may be made, based on qualitative criteria and on the revenue generated by two video game projects.

4. STATUTORY AUDITORS' REPORT

In compliance with the assignment entrusted to us by your articles of association and shareholders in your General Shareholders' Meeting, 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 2021 to 30 September 2021 as enclosed with this report;
- examined information provided in the interim business report.

The global crisis arising from the Covid-19 pandemic has created unusual conditions for the preparation and limited review of the interim condensed consolidated financial statements. The crisis and the exceptional measures to address the public health emergency have had numerous consequences for companies, particularly in terms of their business activities and financing, and have given rise to greater uncertainty about their future prospects. Some of the measures, such as travel restrictions and remote working arrangements, have also affected the internal organisation of companies and on the way in which our work was carried out.

Your Board of Directors was responsible for the preparation of these interim condensed consolidated financial statements. 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 interim business report commenting on the interim condensed consolidated 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 2021

Roubaix, 1 December 2021

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