



DONTNOD
ENTERTAINMENT

HALF-YEAR REPORT 2021

A FRENCH VIDEO GAME STUDIO
IN THE HEART OF IMMERSIVE AND INNOVATIVE UNIVERSES

DONTNOD

DON'T NOD ENTERTAINMENT

Public limited company (Société Anonyme) with share capital of €168,018.74
Registered office: Parc du Pont de Flandre "Le Beauvaisis"
11 rue de Cambrai, 75019 Paris
Paris Trade and Companies Register no. 504 161 902
(the "**Company**")

**MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021**



1. FIRST HALF 2021 HIGHLIGHTS

- **Covid-19 update**

In view of the exceptional circumstances surrounding the coronavirus (Covid-19) health crisis and the ensuing government recommendations, DONTNOD has implemented a business continuity plan involving mass-scale teleworking arrangement.

DONTNOD is striving to achieve optimum productivity in its production chains. However, as the duration of the Covid-19 health crisis is still unknown, release schedules in the video games industry could be adjusted depending on how the situation develops.

Within the framework of government measures in France, in June 2020 the Company contracted a €3.6 million PGE state-guaranteed loan ("Prêt Garanti par l'Etat").

- **Capital increase and business cooperation agreement with TENCENT**

On January 28, 2021, DONTNOD announced the success of its capital increase without shareholder preferential subscription rights (announced on January 27, 2021) through an accelerated bookbuilding process in favor of certain categories of beneficiaries, for a total of €50 million (the "**Private Placement**"). The Private Placement was significantly oversubscribed, which allowed the Company to increase the Offering amount from €40 million to €50 million. The subscription price for the new shares was set at €16 per share, representing a discount of 0.9% on the last closing price.

TENCENT Holdings Limited ("TENCENT"), a leading global online service provider and video game publisher, subscribed shares in an amount of €30 million, thereby strengthening DONTNOD's shareholding structure. This partnership allows DONTNOD to bolster its positioning while stepping up its development plan focused on the self-publishing model, besides expanding its catalog to include mobile platforms and Asian markets.

Principal terms of the Offering:

The capital increase was carried out without preferential subscription rights in order to target qualified French and international investors through an accelerated bookbuilding process (the "**Private Placement**").

A total of 3,125,000 new ordinary shares (the "**New Shares**") with a par value of €0.02 each were issued to qualified investors within the meaning of Article 2(e) of EU Regulation 2017/1129 of June 14, 2017 in accordance with the 7th resolution adopted by the Company's Combined General Meeting of October 27, 2020, thereby increasing the share capital to €165,726.86.

The New Shares, representing 37.7% of the Company's share capital before the completion of the Private Placement, were issued following the decisions of the Chairman of the Board of Directors pursuant to and within the limits of the delegation of powers conferred by the Company's General Meeting and the Board of Directors on January 27, 2021.

The issue price of the new shares was set at €16 per share, representing a 0.9% discount on the DONTNOD share closing price on January 27, i.e. €16.15, and a 0.3% premium over the volume weighted average DONTNOD share price on the Euronext Growth Paris market for the last three trading sessions prior to the establishment of the issue



price (i.e. January 25, 26 and 27 inclusive), i.e. €15.95, in accordance with the 7th resolution adopted by the Company's Combined General Meeting of October 27, 2020.

Settlement and delivery of the New Shares and their admission to trading on Euronext Growth Paris took place on February 1, 2021. The New Shares are subject to all statutory provisions and are fungible with existing shares upon final completion of the Capital Increase. They bear current dividend rights and are admitted to trading on the Euronext Growth Paris market on the same listing line as existing listed Company shares, under the same code ISIN: FR0013331212 - ALDNE.

• Founders' warrant (BSPCE) and bonus share (AGA) plans

By decisions of the Board of Directors on February 4, 2021 in exercise of the authority granted under the 12th and 13th resolutions of the Combined General Meeting of October 27, 2020, the Company set up four plans:

- A founders' warrant allocation plan (BSPCE2021)¹ exercisable at the price of €18 between March 25, 2023 and March 25, 2025 resulting in the issuance of a maximum 28,055 new shares, subject to the beneficiary remaining on the Company's payroll among other conditions;
- A bonus share plan allocating 47,499 bonus shares¹ (AGA2021-1) subject to a vesting period ending no later than March 25, 2025, subject to the beneficiary remaining on the Company's payroll among other conditions;
- A founders' warrant allocation plan (BSPCE2021)² exercisable at the price of €18 as from January 25, 2024 resulting in the issuance of a maximum 208,250 new shares, subject to the beneficiary remaining on the Company's payroll and the achievement of specific Company share price targets;
- A bonus share plan allocating 131,750 bonus shares² (AGA2021-2) subject to a vesting period ending on January 15, 2024, subject to the beneficiary remaining on the Company's payroll and the achievement of specific Company share price targets.

In order to be allocated all the shares provided for under the last two plans listed, the target share price is set at €40 (this figure should not be considered as a share price target expressed by the Company).

In total, if all new shares allocated under these four plans were issued, 415,554 new ordinary shares with a par value of €0.02 each would be issued representing 5% of the Company's current share capital.

• Capital increase by issuance of new shares under the 2019 bonus share plan

By decision of the Board of Directors on March 26, 2021 in exercise of the authority granted under the 26th resolution of the Combined General Meeting of March 30, 2018, the Company recorded the issuance of the first tranche of the bonus share plan following the expiry of the vesting period running until March 25, 2021.

In accordance with the plan rules and the conditions set by the Board of Directors on March 15, 2019, the decision was made to issue 114,594 shares with a par value of two euro cents (€0.02) each to a group of Company employees via a capital increase totaling €2,291.88.

By decision of the Board of Directors on March 26, 2021, the share capital was increased from €165,726.86 to €168,018.74 and the "Other reserves" account accordingly reduced by €2,291.88 corresponding to the total par value of the 114,594 new shares. As a result, the share capital was set at one hundred sixty-eight thousand and

¹ Restricted to specific Group employees

² Restricted to Group senior executives



eighteen euros seventy-four cents (€168,018.74) divided into 8,400,937 fully paid-up ordinary shares with a par value of two euro cents (€0.02 €) each.

As part of the same transaction, it was noted that the same group of beneficiaries would be entitled to exercise a total of 58,921 share warrants at an exercise price of €16 subject to the conditions set by the Board of Directors on March 15, 2019.

- **TELL ME WHY wins two awards at the Pégases 2021**

On March 17, 2021, TELL ME WHY obtained the “Best Narrative Design” and “Best Message-Bear Game” awards at the Pégases 2021 ceremony organized by the French Academy of Video Game Arts and Techniques.

- **Launch of third-party developer’s game publishing business**

On April 8, 2021, DONTNOD announced, through its collaboration with the Danish studio PortaPlay, that it would start publishing games of third-party developers. The new partnership takes the form of a co-production in which DONTNOD holds the majority rights of the Intellectual Property.

- **New Board of Directors appointment**

On June 8, 2021, the DONTNOD Combined General Meeting of shareholders approved the appointment of Julien Barès as a Board member, whose candidacy had previously been submitted to the Board of Directors for approval. The Board now comprises the following members:

- **Oskar Guilbert** - Chairman and CEO, Director;
- **Kostadin Yanev** - Director;
- **Julien Barès** - Director;
- **Nicolas Simon** - Director;
- **Samuel Jacques** - Observer.

- **Terms of repayment of the PGE**

During 2021, the repayment terms applicable to the PGE state-guaranteed loan obtained in April 2020 were finally determined with maturity on April 2, 2026, entailing a five-year repayment period.

- **Relocation of Company premises**

In March 2021, the Company moved into new premises at the following address: “Le Beauvaisis”, Parc du Pont de Flandre, 11 rue de Cambrai, 75019 Paris.

- **Research tax credit**

In application of Article L. 232-1 of the French Commercial Code, the Company hereby states that it conducted no research and development operations during the period ended.



- **CIJV and CTMM video game tax credits**

In respect of its operations in France:

The Company has applied for approvals from the CNC (National Center for Cinema and the Moving Image) under the CIJV video game tax credit scheme in order to support its creation process. The CIJV rate was raised from 20% to 30% for financial years beginning on or after January 1, 2017 (French law no. 2016-1917 of December 29, 2016), while the cap was raised from €3 million to €6 million per company per year and the outsourcing expenditure cap raised from €1 million to €2 million. This tax credit was requested for each of the video games developed and marketed by the Company.

In respect of its operations in Quebec:

DONTNOD applied to the Quebec authorities for the CTMM multimedia title tax credit granted to companies under certain conditions. The tax credit may cover a maximum 37.5% of payroll expenses incurred on games under development.

The total amount recorded under income in respect of the CIJV and CTMM tax credits combined was €2.3 million for H1 2021, stable compared to H1 2020. Although they form an integral part of the Company's business model, the CIJV and CTMM tax credits are recognized under "Income tax".

2. EVENTS OCCURRING AFTER JULY 1, 2021

2.1. Allocation of bonus shares and founders' warrants to employees

By decisions of the Board of Directors on July 27, 2021 in exercise of the authority granted under the 12th resolution of the Combined General Meeting of October 27, 2020, the Company set up the following plan:

- A bonus share plan allocating 3,781 bonus shares subject to a vesting period ending no later than March 25, 2025, subject to the beneficiary remaining on the Company's payroll among other conditions.

By decisions of the Board of Directors on July 27, 2021 in exercise of the authority granted under the 13th resolution of the Combined General Meeting of October 27, 2020, the Company set up the following plan:

- A founders' warrant plan (BSPCE)³ allocating warrants exercisable at the price of €16 between March 25, 2023 and March 25, 2025 resulting in the issuance of a maximum 5,195 new shares, subject to the beneficiary remaining on the Company's payroll among other conditions.

The details of all share and warrant plans are set out in sections 6.4 to 6.6 of this report.

³ Reserved for specific Group employees



2.2. New working organization

On September 7, 2021, DONTNOD announced the roll-out of a new working organization based on teleworking. Each DONTNOD employee based in Paris and Montreal can now choose between working remotely from home and working on the premises. This is a permanent system that will continue beyond the current health situation, with the aim of improving the work-life balance, protecting the health and ensuring the safety of all our people while guaranteeing an optimal level of production and maintaining the quality of titles under development.

3. FORESEEABLE EVOLUTION AND OUTLOOK

3.1. Continued production of 7 internal and external projects

- Project 7 pre-production;
- Project 8 production in partnership with Focus Home Interactive;
- Project 9 conception;
- Project 10 conception;
- Project 11 conception;
- Project M1 conception, produced in Montreal;
- Support the development of the PortaPlay studio project (external co-production).

All games under development will be released between 2022 and 2025.

3.2. Ramp-up of strategic development

Drawing on cash funds considerably strengthened by the January 2021 €50 million capital increase, DONTNOD plans to:

- increase sourcing among new external studios within the framework of co-production and publishing partnerships;
- develop the partnership with TENCENT, a Group shareholder since January 2021, within the framework of future projects including the mobile segment and Asian market;
- continue strengthening the marketing and publishing departments to support production and marketing follow-up for future Group projects.

4. GROUP BUSINESS REVIEW – CONSOLIDATED FINANCIAL STATEMENTS

4.1. CONSOLIDATION SCOPE

The Group specializes in the development and publishing of video games. The Group consolidated financial statements include the financial statements of the parent company and the subsidiaries over which the parent company directly exercises exclusive control or significant influence. The consolidation scope comprises the following companies:



- **Studios DONTNOD Inc.**, a joint stock company with share capital of CAD 100,000 (Canadian dollars) with registered office at 7240 rue Waverly - Bureau 115 - Montreal (Quebec) H2R 2Y8 Canada, registered in the Quebec company register (Registraire des Entreprises du Québec) under identification number NEQ 1175458885.

On June 30, 2020, DONTNOD absorbed its wholly owned subsidiary DON'T NOD Eleven via a simplified merger procedure with effect from January 1, 2020 for accounting purposes. This subsidiary was previously wholly owned by DONTNOD.

4.2. H1 2021 BUSINESS REVIEW

	2021 (6 months)	2020 (6 months)
Revenues	5 018	6 993
Capitalized production	7 803	3 825
Other operating income	51	3
Taxes and similar	(193)	(256)
Staff costs	(9 192)	(8 785)
Other operating expenses	(2 488)	(2 331)
Depreciation, amortization, impairment and provisions	(2 724)	(909)
OPERATING INCOME/(LOSS) BEFORE GOODWILL AMORTIZATION AND IMPAIRMENT	(1 725)	(1 460)
Goodwill amortization	(157)	(157)
OPERATING INCOME/(LOSS) AFTER GOODWILL AMORTIZATION AND IMPAIRMENT	(1 882)	(1 617)
Financial income and expenses	49	(11)
Non-recurring income and expenses	(160)	4
Income tax	2 348	2 290
NET INCOME OF CONSOLIDATED COMPANIES	355	667
CONSOLIDATED NET INCOME	355	667
Minority interests	-	-
NET INCOME GROUP SHARE	355	667
Earnings per share (€)	0,05	0,14
Diluted earnings per share (€)	0,04	0,13

4.3. INCOME STATEMENT ANALYSIS

The Group posted net revenues of €5 million for H1 2021 compared to €7 million in H1 2020. Net revenues comprise publisher revenues derived from the production of games under standard and co-production models and royalties on sales of games.

Royalty revenues tripled from €0.9 million in H1 2020 to €2.7 million in H1 2021. For the same period, publisher



revenues fell 62% to €2.3 million from €6.1 million in H1 2020, in line with the ramp-up of the studio's self-publishing strategy. At the moment, only one co-production project is contributing to Group publisher revenues.

Capitalized production related to development via self-publishing or co-production (where DONTNOD covers part of the development costs in exchange for jointly holding the intellectual property rights, among other things) doubled from €3.8 million in H1 2020 to €7.8 million. This increase was due to the ramp-up of development under Project 8 as a result of a new co-production partnership with publisher Focus Home Interactive, as well as Projects 7, 9, 10, 11 and M1 (developed in Montreal) and the external co-production partnership set up with Danish studio PortaPlay.

To provide a more accurate presentation of the studio's activity and in line with the strategy launched at the time of the IPO, which aims to retain a growing proportion of the intellectual property rights in its original creations, DONTNOD has changed the structure of its results publication. Accordingly, the Group will now combine the presentation of revenues and capitalized production in order to show more clearly the ramp-up of co-production and self-publishing.

These combined operating revenues accordingly amounted to €12.8 million in H1 2021, up 19% from €10.8 million in H1 2020:

	2021 (6 months)	2020 (6 months)
Revenues	5 018	6 993
- of which development	2 292	6 073
- of which royalties	2 726	920
Capitalized production	7 803	3 825
Total Operating revenues	12 821	10 819

A breakdown of revenues by region is not provided, as it could lead to disclosure of confidential information.

Staff costs came to €9.2 million, up 5% from €8.8 million in H1 2020. Other operating expenses totaled €2.5 million, up 7% from €2.3 million in H1 2020.

Operating EBITDA⁴ including CIJV and CTMM video game tax credits came to €3.3 million, up 92% from €1.7 million in H1 2020.

After deducting depreciation, amortization and provisions (mainly comprising amortization on co-produced or self-published games), operating EBIT came to €0.6 million, down 25% from €0.8 million in H1 2020.

⁴ Operating income + Depreciation and amortization charges & provisions net of reversals + CIJV & CTMM video game tax credits



	2021 (6 months)	2020 (6 months)
Book net operating income/(loss)	(1 725)	(1 460)
+ Depreciation, amortization, impairment and provisions	2 724	909
+ CIJV tax credit	2 348	2 290
Operating EBITDA	3 347	1 739
Depreciation, amortization, impairment and provisions	(2 724)	(909)
Operating EBIT	623	830

After deducting goodwill amortization of €0.2 million, net income Group share for H1 2021 came in at €0.4 million versus €0.7 million in H1 2020, entailing earnings per share of €0.05 for H1 2021.

4.4. BALANCE SHEET ANALYSIS

Analysis of the balance sheet prompts the following observations:

a. ASSETS

ASSETS	Gross	Dep., amort., imp.	30/06/21 Net	31/12/20 Net
Intangible fixe assets	41 295	(16 311)	24 983	19 916
Tangible fixe assets	2 713	(1 518)	1 196	690
Financial fixe assets	1 800	-	1 800	2 012
NON-CURRENT ASSETS	45 808	(17 829)	27 979	22 618
Trade receivables	1 180	-	1 180	2 643
Deferred tax assets	-	-	-	-
Other receivables and accruals	8 614	-	8 614	5 626
Marketable securities	10 058	-	10 058	3 050
Cash	52 847	-	52 847	18 167
CURRENT ASSETS	72 698	-	72 698	29 487
TOTAL ASSETS	118 506	(17 829)	100 678	52 105

The net value of non-current assets at June 30, 2021 totaled €28 million versus €22.6 million at December 31, 2020. Intangible assets totaled €25 million, up 25% from €31 million at December 31, 2020 due to the ramp-up of development under projects for which DONTNOD holds all or part of the intellectual property rights.



The net value of current assets at June 30, 2021 was €72.7 million versus €29.5 million at December 31, 2020. The increase is due to the increase in cash and cash equivalents from €21.2 million at December 31, 2020 to €62.9 million, mainly due to the €50 million capital increase carried out in January 2021.

b. EQUITY & LIABILITIES

EQUITY & LIABILITIES	30/06/21	31/12/20
Share capital	168	103
Additional paid-in capital	87 757	39 217
Consolidated reserves	848	(46)
Consolidated net income	355	949
Other items	3	(2)
SHAREHOLDERS' EQUITY GROUP SHARE	89 131	40 221
Minority interests	-	-
TOTAL SHAREHOLDERS' EQUITY	89 131	40 221
PROVISIONS	3 028	2 550
Borrowings and financial debt	3 938	4 028
Trade payables	979	1 264
Other payables and accruals	3 602	4 042
Deferred tax liabilities	-	-
LIABILITIES	8 519	9 334
TOTAL EQUITY AND LIABILITIES	100 678	52 105

Shareholders' equity including net income for the period totaled €89 million at June 30, 2021, up from €40.2 million at December 31, 2020 due to the €50 million capital increase carried out in January 2021.

Provisions for contingencies and charges mainly comprising the CIJV contingency provision totaled €3 million and break down as follows:



PROVISIONS	31 décembre 2020	Charges	Reversals	30 juin 2021
Provision for disputes	-	-	-	-
Provision for retirement bonuses	811	91	-	901
CIJV contingency provision	1 739	-	-	1 739
Other provisions for contingencies	-	388	-	388
Provision for currency losses	-	-	-	-
TOTAL	2 550	478	-	3 028
<i>of which operating</i>		91	-	
<i>of which financial</i>		-	-	
<i>of which non-recurring</i>		388	-	

- Provisions for retirement bonuses: The provision at June 30, 2021 was calculated on the basis of the projection drawn up for the purposes of the 2020 balance sheet date calculation;
- CIJV contingency provision: This provision is designed to cover the risk concerning payment of part of the CIJV video game tax credit depending on when final approval for the game is obtained;
- Other provisions for contingencies: This provision is designed to cover the risk of the expected partial early termination of a lease during H2 2021.

Borrowings and financial debt of all maturities totaled €3.9 million at June 30, 2021 versus €4 million at December 31, 2020 and break down as follows:

	31-Dec-20	Increase	Decrease	30-Jun-21
Government loans	150	-	(25)	125
Convertible bonds	-	-	-	-
Borrowings from credit institutions	3 570	-	-	3 570
Other borrowings	-	-	-	-
Finance lease borrowings	301	29	(89)	241
Accrued interest on other borrowings	7	-	(7)	-
Short-term bank loans and overdrafts	-	2	-	2
TOTAL	4 028	31	(121)	3 938

As announced earlier, the Company obtained a €3.6 million PGE state-guaranteed loan from one of its bank partners to cover the potential impact of the Covid-19 crisis on production.



5. SUBSIDIARIES AND CONTROLLED COMPANIES

The consolidation scope was as follows at the interim balance sheet date:

Company	Consolidation method	% interest	% control	Country of operation	Registered office
DON'T NOD ENTERTAINMENT	Parent company	-	-	France	SIREN: 504 161 902 Parc du Pont de Flandre "Le Beauvaisis", 11 rue de Cambrai 75019 Paris
Studios DONTNOD Inc.	Full consolidation	100%	100%	Canada	NEQ: 1175458885 7240 rue Waverly - Bureau 115 - Montreal (Quebec) H2R 2Y8 Canada

The consolidation scope was identical at June 30, 2020 and December 31, 2020.

6. EMPLOYEE SHAREHOLDING – STAFF INFORMATION

6.1. Treasury shares

At June 30, 2021, the Company held 10,992 treasury shares and a €53,082.09 cash balance under the liquidity contract signed with Gilbert Dupont investment services provider on June 15, 2018.

The following trades were completed in H1 2021:

BUY	43,999 shares	€710,845.27	1,145 trades
SELL	40,562 shares	€657,721.54	878 trades

At December 31, 2020 the liquidity account included the following items:

- Number of shares: 7,555
- Cash balance: €106,205.82

On July 1, 2021, the Company announced that on March 30, 2021 it had entered into a new liquidity contract with TP ICAP EUROPE, in compliance with the AMAFI code of conduct regarding liquidity contracts, effective from the start of trading on July 1, 2021. This contract was entered into in compliance with AMF decision 2018-01 of July 2, 2018, applicable from January 1, 2019, establishing liquidity contracts covering equity securities as an accepted market practice.



6.2. Changes in share capital

a. 2020:

Following a capital increase carried out in July 2020, 487,821 new shares were issued with a par value of €0.02 each, thereby increasing the share capital from €93,470.44 to €103,226.86.

b. H1 2021:

Following a capital increase carried out in January 2021, 3,125 000 new shares were issued with a par value of €0.02 each, thereby increasing the share capital from €103,226.86 to €165,726.86.

Following the expiry of the first vesting period under the bonus share plan approved on March 15, 2019, on March 26, 2021 the Company issued 114,594 new shares with a par value of €0.02 each, thereby increasing the share capital from €165,726.86 to €168,018.74.

c. Breakdown of share capital:

Shareholders	Share capital and voting rights at July 31, 2021				Capital diluted by CB		Capital diluted by CB	
	Shares	%	Voting rights ⁽²⁾	% voting rights	Shares	%	Shares	%
Loskent ⁽³⁾	241 708	2.88%	483 416	4.25%	241 708	2.84%	241 708	2.64%
Kostadin Yanev	2 448 050	29.14%	4 786 100	42.07%	2 448 050	28.72%	2 448 050	26.77%
Modern Vision Entertainment ⁽⁴⁾	395 031	4.70%	790 062	6.95%	478 533	5.62%	478 533	5.23%
Claudie Hawes	25 650	0.31%	25 650	0.23%	25 650	0.30%	25 650	0.28%
Employees	108 748	1.29%	108 748	0.96%	108 748	1.28%	389 461	4.26%
Managers							340 000	3.72%
Tencent ⁽⁵⁾	1 875 000	22.32%	1 875 000	16.48%	1 875 000	22.00%	1 875 000	20.51%
Float	3 306 750	39.36%	3 306 829	29.07%	3 344 705	39.25%	3 344 705	36.58%
TOTAL	8 400 937	100.00%	11 375 805	100.00%	8 522 394	100.00%	9 143 107	100.00%

(1) Theoretical dilution

(2) Double voting rights applicable from January 10, 2020

(3) Company controlled by O. Guilbert

(4) Company controlled by K. Yanev

(5) Indirectly held via an affiliate

6.3. Group headcount

The average Group headcount in H1 2021 was 245 versus 243 in H1 2020, broken down as follows:

	Men	Women	Total
Executives	137	35	172
Non-executives	45	28	73
Total	182	63	245



6.4. Allocation of bonus shares to employees

By decision of the Board of Directors on March 15, 2019 and pursuant to the 24th resolution of the Ordinary and Extraordinary General Meeting of March 30, 2018, the Company implemented a plan to allocate 207,391 ordinary bonus shares. In the event of full exercise of these bonus shares, a maximum 207,391 new ordinary shares of the Company representing 4.43% of the share capital at the allocation date would be issued.

By decision of the Board of Directors on March 26, 2021, the vesting period for class A bonus shares under the plan rules expired on March 25, 2021. Accordingly, the Board resolved to issue said 114,594 shares with a par value of two euro cents (€0.02) each via a capital increase amounting to €2,291.88, thereby increasing the share capital from €165,726.86 to €168,018.74, offset by a matching €2,291,88 reduction in the “Other reserves” account corresponding to the total par value of the 114,594 new shares issued.

By decisions of the Board of Directors on February 4, 2021 in exercise of the authority granted under the 12th resolution of the Combined General Meeting of October 27, 2020, the Company set up two plans:

- A bonus share plan allocating 47,499 bonus shares subject to a vesting period ending no later than March 25, 2025, subject to the beneficiary remaining on the Company's payroll among other conditions;
- A bonus share plan allocating 131,750 bonus shares⁵ subject to a vesting period ending no later than January 15, 2024, subject to the beneficiary remaining on the Company's payroll and the achievement of specific Company share price targets.

By decisions of the Board of Directors on July 27, 2021 in exercise of the authority granted under the 12th resolution of the Combined General Meeting of October 27, 2020, the Company set up the following plan:

- A bonus share plan allocating 3,781 bonus shares subject to a vesting period ending no later than March 25, 2025, subject to the beneficiary remaining on the Company's payroll among other conditions.

Ordinary bonus shares (AGO)	AGO1	AGO2	AGO3	AGO4
Board meeting date	March 15, 2019	February 4, 2021	February 4, 2021	July 27, 2021
Allocation date	March 25, 2019	March 25, 2021	March 25, 2021	July 28, 2021
Number of bonus shares initially allocated	207 391	47 499	131 750	3 781
- o/w number of shares initially allocated to corporate officers	4 674	0	52 700	0
Officers and advisory Board members concerned:				
- Oskar Guilbert (as director)	0	0	26 350	0
- Nicolas Simon (as director)	2 337	0	13 175	0
- Samuel Jacques (as advisory Board member)	2 337	0	13 175	0
Number of non-corporate officer beneficiaries (initial plan):	204	33	11	3
Initial vesting date	March 26, 2021	March 26, 2023	January 15, 2024	July 29, 2023
Initial exercise price	N/A	N/A	N/A	N/A
Number of bonus shares vested at July 31, 2021	114 593	0	0	0
Total number of shares lapsed or canceled at July 31, 2021	39 123	0	0	0
Balance net of lapsed shares	168 268	47 499	131 750	3 781

6.5. Allocation of share warrants to employees

By decision of the Board of Directors on March 15, 2019 and pursuant to the 24th resolution of the Ordinary and Extraordinary General Meeting of March 30, 2018, the Company implemented a plan to allocate 157,105 share warrants. In the event that all warrants were exercised, a maximum 157,105 new ordinary shares of the Company representing 3.36% of the share capital at the allocation date would be issued.

⁵ Reserved for Group senior executives



On March 26, 2021, the Board also noted that the same group of beneficiaries would be entitled to exercise a total of 58,921 share warrants at an exercise price of €16 subject to the conditions set by the Board of Directors on March 15, 2019.

Share warrants (BSA)	BSA1
Board meeting date	March 15, 2019
Allocation date	March 25, 2019
Number of share warrants allocated	157 105
- <i>o/w number of warrants initially allocated to corporate officers</i>	22 482
<i>Officers and advisory Board members concerned:</i>	
- <i>Oskar Guilbert (as director)</i>	0
- <i>Nicolas Simon (as director)</i>	11 235
- <i>Samuel Jacques (as advisory Board member)</i>	11 247
Number of non-corporate officer beneficiaries (initial plan):	53
Start of warrant exercise period	March 26, 2021
Initial exercise price	16,00 €
Number of warrants exercised at July 31, 2021	0
Total number of warrants lapsed or canceled at July 31, 2021	14 597
Balance net of lapsed warrants	142 508

6.6. Allocation of founders' warrants to employees

By decisions of the Board of Directors on February 4, 2021 in exercise of the authority granted under the 13th resolution of the Combined General Meeting of October 27, 2020, the Company set up two plans:

- A founders' warrant plan (BSPCE)⁶ allocating warrants exercisable at the price of €18 between March 25, 2023 and March 25, 2025 resulting in the issuance of a maximum 28,055 new shares, subject to the beneficiary remaining on the Company's payroll among other conditions;
- A founders' warrant plan (BSPCE) allocating warrants exercisable at the price of €18 as from January 25, 2024 resulting in the issuance of a maximum 208,250 new shares, subject to the beneficiary remaining on the Company's payroll and the achievement of specific Company share price targets.

By decisions of the Board of Directors on July 27, 2021 in exercise of the authority granted under the 13th resolution of the Combined General Meeting of October 27, 2020, the Company set up the following plan:

- A founders' warrant plan (BSPCE)⁷ allocating warrants exercisable at the price of €16 between March 25, 2023 and March 25, 2025 resulting in the issuance of a maximum 5,195 new shares, subject to the beneficiary remaining on the Company's payroll among other conditions.

⁶ Reserved for specific Group employees

⁷ Reserved for specific Group employees



Founders' warrants (BSPCE)	BSPCE1	BSPCE2	BSPCE3
Board meeting date	February 4, 2021	February 4, 2021	July 27, 2021
Allocation date	March 25, 2021	March 25, 2021	July 28, 2021
Number of founders' warrants allocated	28 055	208 250	5 195
- o/w number of warrants initially allocated to corporate officers	0	83 300	0
Officers and advisory Board members concerned:			
- Oskar Guilbert (as director)	0	41 650	0
- Nicolas Simon (as director)	0	20 825	0
- Samuel Jacques (as advisory Board member)	0	20 825	0
Number of non-corporate officer beneficiaries (initial plan):	9	11	1
Start of warrant exercise period	March 26, 2023	January 15, 2024	March 26, 2023
Initial exercise price	18,00 €	18,00 €	16,00 €
Number of founders' warrants exercised at July 31, 2021	0	0	0
Total number of founders' warrants lapsed or canceled at July 31, 2021	0	0	0
Balance net of lapsed warrants	28 055	208 250	5 195

The target share price for obtaining the maximum amount of shares under the AGO₃ ordinary bonus share and BSPCE₂ founders' warrant plans is set at €40. However, this should not be considered as a share price target announced by the Company.

7. MAIN CHARACTERISTICS OF INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES APPLICABLE TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

The Company oversees the proper implementation of internal control and risk management measures applicable to the preparation and processing of financial and accounting information.

In respect of each consolidated company, the Company encourages risk controls at each stage of the preparation and processing of financial and accounting information.

8. RESEARCH AND DEVELOPMENT OPERATIONS

None.

9. PROGRESS ACHIEVED AND DIFFICULTIES ENCOUNTERED

The Company encountered no material difficulties during the first half of 2021.

Nevertheless, in view of the exceptional circumstances surrounding the coronavirus (Covid-19) health crisis and the ensuing government recommendations, DONTNOD has implemented a business continuity plan involving mass-scale teleworking arrangement.

DONTNOD is striving to achieve optimum productivity in its production chains. However, as the duration of the Covid-19 health crisis is still unknown, release schedules in the video games industry could be adjusted depending on how the situation develops.



The industry is currently seeing an increase in video game consumption, particularly on online platforms.

Within the framework of government measures in France, in June 2020 the Company contracted a €3.6 million PGE state-guaranteed loan.

10. PRESENTATION OF THE FINANCIAL STATEMENTS

To provide a more accurate presentation of the studio's activity and in line with the strategy launched at the time of the IPO, which aims to retain a growing proportion of the intellectual property rights in its original creations, DONTNOD has changed the structure of its results publication. Accordingly, the Group now combines the presentation of revenues and capitalized production in order to show more clearly the ramp-up of co-production and self-publishing.

Apart from this change, the presentation rules and valuation methods applied in the preparation of these documents comply with applicable regulations and are identical to the rules and methods applied in previous financial years.

* * *

The Chairman would be delighted to provide you with any further details or explanations you may wish to obtain.

Paris, September 24, 2021

On behalf of the Board of Directors

Oskar Guilbert

Chairman of the Board of Directors - Chief Executive Officer

DON'T NOD ENTERTAINMENT S.A.

Parc du Pont de Flandre "Le Beauvaisis"

11 rue de Cambrai

75019 Paris

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Period from January 1 to June 30, 2021

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CONSOLIDATED BALANCE SHEET

(€000)

ASSETS	Notes	Gross	Dep., amort., imp.	30/06/21 Net	31/12/20 Net
Intangible fixe assets	1 - 2	41 295	(16 311)	24 983	19 916
Tangible fixe assets	2	2 713	(1 518)	1 196	690
Financial fixe assets	3	1 800	-	1 800	2 012
NON-CURRENT ASSETS		45 808	(17 829)	27 979	22 618
Trade receivables	4	1 180	-	1 180	2 643
Deferred tax assets	5 - 10	-	-	-	-
Other receivables and accruals	4	8 614	-	8 614	5 626
Marketable securities	6	10 058	-	10 058	3 050
Cash	6	52 847	-	52 847	18 167
CURRENT ASSETS		72 698	-	72 698	29 487
TOTAL ASSETS		118 506	(17 829)	100 678	52 105
EQUITY & LIABILITIES	Note			30/06/21	31/12/20
Share capital	7			168	103
Additional paid-in capital				87 757	39 217
Consolidated reserves				848	(46)
Consolidated net income				355	949
Other items				3	(2)
SHAREHOLDERS' EQUITY GROUP SHARE				89 131	40 221
Minority interests				-	-
TOTAL SHAREHOLDERS' EQUITY				89 131	40 221
PROVISIONS	8			3 028	2 550
Borrowings and financial debt	9			3 938	4 028
Trade payables				979	1 264
Other payables and accruals	5 - 10			3 602	4 042
Deferred tax liabilities	5			-	-
LIABILITIES				8 519	9 334
TOTAL EQUITY AND LIABILITIES				100 678	52 105

CONSOLIDATED INCOME STATEMENT

(€000)

	Note	2021 (6 months)	2020 (6 months)
Revenues	11	5 018	6 993
Capitalized production		7 803	3 825
Other operating income		51	3
Taxes and similar		(193)	(256)
Staff costs		(9 192)	(8 785)
Other operating expenses		(2 488)	(2 331)
Depreciation, amortization, impairment and provisions	12	(2 724)	(909)
OPERATING INCOME/(LOSS) BEFORE GOODWILL AMORTIZATION AND IMPAIRMENT		(1 725)	(1 460)
Goodwill amortization	1	(157)	(157)
OPERATING INCOME/(LOSS) AFTER GOODWILL AMORTIZATION AND IMPAIRMENT		(1 882)	(1 617)
Financial income and expenses		49	(11)
Non-recurring income and expenses	13	(160)	4
Income tax	14	2 348	2 290
NET INCOME OF CONSOLIDATED COMPANIES		355	667
CONSOLIDATED NET INCOME		355	667
Minority interests		-	-
NET INCOME GROUP SHARE		355	667
Earnings per share (€)	15	0,05	0,14
Diluted earnings per share (€)	15	0,04	0,13

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€000)

DONTNOD Entertainment group shareholders' equity	Share capital	Additional paid-in capital	Consolidated reserves	Consolidated net income	Translation difference	Total
31/12/2019	93	32 834	17	(86)	-	32 859
Capital increase	10	6 659				6 669
Deduction of costs from issue premium		(276)				(276)
Appropriation of prior year earnings			(86)	86		-
Net income for the period				949		949
Treasury shares			23			23
Currency translation differences					(2)	(2)
31/12/2020	103	39 217	(46)	949	(2)	40 221
Cash capital increase	63	49 938				50 000
Deduction of costs from issue premium		(1 397)				(1 397)
Bonus shares vested	2		(2)			-
Appropriation of prior year earnings			949	(949)		-
Net income for the period				355		355
Treasury shares			(53)			(53)
Currency translation differences					7	7
30/06/2021	168	87 757	848	355	6	89 133

CONSOLIDATED CASH FLOW STATEMENT

(€000)

	2021	2020
	<i>(6 months)</i>	<i>(6 months)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Net income of consolidated companies	355	667
Goodwill amortization	157	157
<i>Adjustments for non-cash or non-operating income and expenses</i>		
Depreciation, amortization and provisions (net)	3 109	905
Change in deferred taxes	-	-
Capital (gains)/losses on sales, net of tax	-	-
Gross operating cash flow of consolidated companies	3 621	1 728
Change in operating receivables	(1 525)	1 068
Change in operating payables	(726)	1 020
Change in operating working capital	(2 250)	2 088
Net cash flow from operating activities	1 371	3 816
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisitions of intangible assets and property, plant and equipment	(8 464)	(3 914)
Sales/decreases in intangible assets and property, plant and equipment	103	218
Change in financial assets	212	7
Net cash flow from investing activities	(8 149)	(3 690)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash capital increase	48 603	-
Purchase of treasury shares	(711)	(514)
Sale of treasury shares	658	506
New borrowings	29	3 638
Repayment of borrowings	(121)	(710)
Cash flow from financing activities	48 459	2 920
CHANGE IN CASH AND CASH EQUIVALENTS	41 681	3 047
Impact of changes in exchange rates	(5)	-
Opening cash and cash equivalents	21 217	16 955
Closing cash and cash equivalents	62 902	20 002
CHANGE IN CASH AND CASH EQUIVALENTS	41 681	3 047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are reported in euro thousands unless otherwise stated.

1. NATURE OF THE BUSINESS AND HIGHLIGHTS OF THE PERIOD

1.1. INFORMATION ABOUT THE COMPANY AND ITS BUSINESS

1.1.1. History and outlook

DON'T NOD Entertainment (DNE) is a French public limited company (*Société Anonyme*) created in 2008. It is the parent company of the DON'T NOD Entertainment group ("the Group"). It is a video game developer based in Paris, whose development teams work simultaneously on various projects.

Its history may be summarized as follows:

- 2008: Creation of DON'T NOD ENTERTAINMENT
- 2013: Official release of Remember Me (publisher: CAPCOM)
- 2015: Official release of Life is Strange (publisher: SQUARE ENIX)
- 2018: Listing on Euronext Growth
Acquisition of DON'T NOD Eleven
Release of Vampyr (FOCUS HOME INTERACTIVE)
Release of The Awesome Adventures of Captain Spirit (SQUARE ENIX)
Release of the first episodes of Life is Strange 2 (SQUARE ENIX)
- 2019: Acquisition of the Twin Mirror IP rights
Announcement of a new co-production partnership with Focus Home Interactive (Project 8)
- 2020: Opening of a subsidiary in Montreal (DONTNOD Studios Inc.)
Simplified merger with DON'T NOD Eleven
Creation of the marketing and publishing departments
Release of Tell Me Why (publisher: MICROSOFT)
Release of Twin Mirror (publisher: DONTNOD)
- 2021: Capital increase and partnership agreement with TENCENT
Allocation of bonus shares and founders' warrants (BSPCE)
Launch of third-party developer game publishing business
Definition of PGE (Prêt Garanti par l'Etat) state-guaranteed loan repayment terms
Relocation of Company premises

1.1.2. Video game tax credit (CIJV)

In France, the Company has applied for approvals from the CNC (National Center for Cinema and the Moving Image) under the CIJV video game tax credit scheme in order to support its creation process.

The CIJV rate was raised from 20% to 30% for financial years beginning on or after January 1, 2017 (French law no. 2016-1917 of December 29, 2016), while the cap was raised from €3 million to €6 million per company per year and the outsourcing expenditure cap raised from €1 million to €2 million.

This tax credit was requested for each of the video games developed and marketed by the Company.

CIJV tax credit recognized in the income statement amounted to €2,198,000 for H1 2021, versus €2,290,000 for the same period last year.

In addition, the Canadian subsidiary benefits from a tax credit (CTMM) which totaled €150,000 for the 2020 financial year and first half of 2021 combined.

The total amount recorded under income in respect of the CIJV and CTMM video game tax credits combined was €2,348,000 million for H1 2021, stable compared to H1 2020. Although they form an integral part of the Company's business model, the CIJV and CTMM tax credits are recognized under "Income tax".

1.2. HIGHLIGHTS OF THE PERIOD

1.2.1. Capital increase and partnership agreement with TENCENT

On January 28, 2021, DONTNOD announced the success of its capital increase without shareholder preferential subscription rights (announced on January 27, 2021) through accelerated bookbuilding process in favor of certain categories of beneficiaries, for a total of €50 million (the "**Private Placement**").

The Private Placement was significantly oversubscribed, which allowed the Company to increase the Offering amount from €40 million to €50 million. The subscription price for the new shares was set at €16 per share, representing a discount of 0.9% on the last closing price.

Tencent Holdings Limited ("TENCENT"), a leading global online service provider, contributed €30 million, thereby strengthening DONTNOD's shareholding structure.

Principal terms of the Offering:

The capital increase was carried out without preferential subscription rights in order to target qualified French and international investors through an accelerated bookbuilding process (the "**Private Placement**"). A total of 3,125,000 new ordinary shares (the "**New Shares**") with a par value of €0.02 each were issued to qualified investors within the meaning of Article 2(e) of EU Regulation 2017/1129 of June 14, 2017 in accordance with the 7th resolution adopted by the Company's Combined General Meeting of October 27, 2020, thereby increasing the share capital to €165,726.86.

The New Shares, representing 37.7% of the Company's share capital before the completion of the Private Placement, were issued by decisions of the Chairman of the Board of Directors pursuant to and within the limits of the delegation of powers conferred by the Company's General Meeting and the Board of Directors on January 27, 2021.

The issue price of the new shares was set at €16 per share, representing a 0.9% discount on the DONTNOD share closing price on January 27, i.e. €16.15, and a 0.3% premium over the volume weighted average DONTNOD share price on the Euronext Growth Paris market for the last three trading sessions prior to the establishment of the issue price (i.e. January 25, 26 and 27 inclusive), i.e. €15.95, in accordance with the 7th resolution adopted by the Company's Combined General Meeting of October 27, 2020.

Settlement and delivery of the New Shares and their admission to trading on Euronext Growth Paris took place on February 1, 2021. The New Shares are subject to all statutory provisions and are fungible with existing shares upon final completion of the Capital Increase. They bear current dividend rights and are admitted to trading on the Euronext Growth Paris market on the same listing line as existing listed Company shares, under the same code ISIN: FR0013331212 - ALDNE.

1.2.2. Allocation of founders' warrants (BSPCE) and bonus shares

By decisions of the Board of Directors on February 4, 2021 in exercise of the authority granted under the 12th and 13th resolutions of the Combined General Meeting of October 27, 2020, the Company set up four plans:

- A founders' warrant plan (BSPCE2021)¹ allocating warrants exercisable at the price of €18 between March 25, 2023 and March 25, 2025 resulting in the issuance of a maximum 28,055 new shares, subject to the beneficiary remaining on the Company's payroll among other conditions;
- A bonus share plan allocating 47,499 bonus shares¹ (AGA2021-1) subject to a vesting period ending no later than March 25, 2025, subject to the beneficiary remaining on the Company's payroll among other conditions;
- A founders' warrant plan (BSPCE2021)² allocating warrants exercisable at the price of €18 as from January 25, 2024 resulting in the issuance of a maximum 208,250 new shares, subject to the beneficiary remaining on the Company's payroll and the achievement of specific Company share price targets;
- A bonus share plan allocating 131,750 bonus shares² (AGA2021-2) subject to a vesting period ending on January 15, 2024, subject to the beneficiary remaining on the Company's payroll and the achievement of specific Company share price targets.

The target share price for obtaining the maximum amount of shares under the last two plans is set at €40. (this figure should not be considered as a share price target expressed by the Company).

In total, if all new shares allocated under these four plans were issued, 415,554 new ordinary shares with a par value of €0.02 each would be issued representing 5% of the Company's current share capital.

1.2.3. Capital increase under the 2019 bonus share plan

By decision of the Board of Directors on March 26, 2021 in exercise of the authority granted under the 26th resolution of the Combined General Meeting of March 30, 2018, the Company recorded the issuance of the first tranche of the bonus share plan following the expiry of the vesting period running until March 25, 2021.

In accordance with the plan rules and the conditions set by the Board of Directors on March 15, 2019, the decision was made to issue 114,594 shares with a par value of two euro cents (€0.02) each to a group of Company employees via a capital increase totaling €2,291.88.

By decision of the Board of Directors on March 26, 2021, the share capital was increased from €165,726.86 to €168,018.74 and the "Other reserves" account accordingly reduced by €2,291.88 corresponding to the total par value of the 114,594 new shares. As a result, the share capital was set at one hundred sixty-eight thousand and eighteen euros seventy-four cents (€168,018.74) divided into 8,400,937 fully paid-up ordinary shares with a par value of two euro cents (€0.02 €) each.

As part of the same transaction, it was noted that the same group of beneficiaries would be entitled to exercise a total of 58,921 share warrants at an exercise price of €16 subject to the conditions set by the Board of Directors on March 15, 2019.

¹ Reserved for specific Group employees

² Reserved for Group senior executives

1.2.4. Launch of third-party developer's game publishing business

On April 8, 2021, DONTNOD announced, through its collaboration with the Danish studio PortaPlay, that it would start publishing games of third-party developers. This new partnership takes the form of a co-production in which DONTNOD holds the majority of the rights of the Intellectual Property.

1.2.5. Terms of repayment of the PGE

During the 2021 financial year, the terms of repayment of the State Guaranteed Loan (PGE) granted in April 2020 for an amount of €3,570,000 were definitively set, with maturity date on April 2, 2026, i.e. a repayment period of 5 years.

1.2.6. Relocation of Company premises

In March 2021, the Company moved into new premises at the following address: "Le Beauvaisis", Parc du Pont de Flandre, 11 rue de Cambrai, 75019 Paris.

1.2.7. Information on Covid-19

In view of the exceptional circumstances surrounding the coronavirus (Covid-19) health crisis and the ensuing government recommendations, DONTNOD has implemented a business continuity plan involving mass-scale teleworking arrangement.

DONTNOD is striving to achieve optimum productivity in its production chains. However, as the duration of the Covid-19 health crisis is still unknown, release schedules in the video games industry could be adjusted depending on how the situation develops.

The industry is currently seeing an increase in video game consumption, particularly on online platforms.

Within the framework of government measures in France, in June 2020 the Company contracted a €3.6 million PGE state-guaranteed loan.

During first half 2021, the repayment terms applicable to the PGE state-guaranteed loan obtained in April 2020 were finally determined with maturity on April 2, 2026, entailing a five-year repayment period.

1.3. POST-BALANCE SHEET EVENTS

1.3.1. Allocation of bonus shares and founders' warrants to employees

By decisions of the Board of Directors on July 27, 2021 in exercise of the authority granted under the 12th resolution of the Combined General Meeting of October 27, 2020, the Company set up the following plan:

- A bonus share plan allocating 3,781 bonus shares subject to a vesting period ending no later than March 25, 2025, subject to the beneficiary remaining on the Company's payroll among other conditions.

By decisions of the Board of Directors on July 27, 2021 in exercise of the authority granted under the 13th resolution of the Combined General Meeting of October 27, 2020, the Company set up the following plan:

- A founders' warrant plan (BSPCE)³ allocating warrants exercisable at the price of €16 between March 25, 2023 and March 25, 2025 resulting in the issuance of a maximum 5,195 new shares, subject to the beneficiary remaining on the Company's payroll among other conditions.

1.3.2. New working organization

On September 7, 2021 DONTNOD announced the roll-out of a new working organization based on teleworking.

Each DONTNOD employee based in Paris and Montreal can now choose between working remotely from home and working on the premises. This is a permanent system that will continue beyond the current health situation, with the aim of improving the work-life balance, protecting the health and ensuring the safety of all our people while guaranteeing an optimal level of production and maintaining the quality of titles under development.

1.4. CONSOLIDATION SCOPE

³ Reserved for specific Group employees

The consolidation scope was as follows at June 30, 2021:

Company	Consolidation method	% interest	% control	Country of operation	Registered office
DON'T NOD ENTERTAINMENT S.A.	Parent company	-	-	France	SIREN: 504 161 902 Parc du Pont de Flandre, 11 rue de Cambrai - 75019 Paris
Studios DONTNOD Inc.	Full consolidation	100%	100%	Canada	NEQ 1175458885 7240 rue Waverly - Bureau 115 - Montreal (Quebec) H2R 2Y8 Canada

The consolidation scope was identical at June 30, 2020 and December 31, 2020.

2. ACCOUNTING PRINCIPLES AND METHODS

2.1. ACCOUNTING STANDARDS

The interim consolidated financial statements have been prepared in accordance with the accounting principles and valuation rules laid down by law and the French Commercial Code, in compliance with CRC Regulation 2020-01 on the consolidated financial statements of industrial and commercial companies and Recommendation R99-01 on the preparation and presentation of interim financial statements.

They do not include all the information required for complete full-year financial statements and should be read in conjunction with the Group financial statements for the year ended December 31, 2020.

2.2. COMPARABILITY OF FINANCIAL STATEMENTS

The valuation methods used in the financial statements are identical to those used in the same period of the previous financial year, except for the following changes resulting from the implementation of Regulation 2020-01:

- Unrealized currency gains and losses are no longer recognized under net income - their impact on the Company financial statements is non-material;
- Goodwill is presented under intangible assets;

- Amortization of goodwill is presented under operating income/expense;
- Underlying income from consolidated companies is eliminated.

The first measure has no material impact and the impact of the other three measures relates to the presentation of the balance sheet and income statement.

The financial statements for the two periods can therefore be validly compared.

2.3. CONSOLIDATION PROCEDURE

2.3.1. Consolidation methods

The Group's subsidiary is controlled and fully consolidated. Intercompany transactions and balances are eliminated.

The companies included in the consolidation scope are consolidated on the basis of their interim accounts for the six months ended June 30, 2021, restated as applicable to comply with Group accounting principles.

2.3.2. Translation of foreign currency financial statements and transactions

The financial statements of foreign subsidiaries expressed in local currency are translated into euros using the closing exchange rate method:

- assets and liabilities are translated at the closing rate;
- the income statement is translated at the average rate for the year;
- translation differences resulting from the application of these different rates are recorded directly in equity.

Foreign currency transactions are recorded after translation at the prevailing rate on the transaction date. Foreign currency receivables and payables are translated at the closing date. Unrealized currency gains and losses arising on translation are kept on the balance sheet.

2.3.3. Use of judgments and estimates

In preparing these interim consolidated financial statements, the main judgments and estimates made by management relate to the valuation of:

- intangible assets;
- estimated revenues per percentage of completion;
- deferred taxes;
- provisions;
- video game tax credit.

2.4. VALUATION METHODS AND RULES

The accounting policies applied to these interim consolidated financial statements are the same as those applied by the Company to its annual consolidated financial statements, except for the specific policies required by Recommendation R99-01 on the preparation and presentation of interim financial statements (use of projected annual rates, corrected for the main permanent differences, for the calculation of Group tax).

Income received and expenses incurred on a seasonal or cyclical basis during a financial year are neither anticipated nor deferred at an interim date if it is not appropriate to anticipate or defer them at year-end.

3. NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

NOTE 1 : GOODWILL

	December 31, 2020	Increases	Decreases	June 30, 2021
Gross goodwill	3 136	-	-	3 136
Goodwill amortization	(810)	(157)	-	(967)
TOTAL NET	2 326	(157)	-	2 169

Goodwill relates to the acquisition of the subsidiary DON'T NOD Eleven, whose merger took place the previous year.

NOTE 2 : INTANGIBLE AND TANGIBLE ASSETS

GROSS NON-CURRENT ASSETS	31/12/2020	Acquisitions	Reclassification	Disposals	30/06/2021
Intangible assets					
Trademark	20	-	-	-	20
Concessions, patents & licenses	21 552	103	-	(103)	21 552
Other intangible assets	10	-	-	-	10
Intangible assets in progress	8 877	7 700	-	-	16 577
	30 459	7 803	-	(103)	38 159
Tangible assets					
Plant and equipment	109	-	-	-	109
General fixtures and fittings	608	514	243	(608)	757
Office and computer equipment, furniture	1 698	147	(243)	-	1 605
PP&E in progress	243	-	-	-	243
	2 658	662	-	(608)	2 713
Gross goodwill	3 136	-	-	-	3 136
TOTAL gross	36 253	8 464	-	(711)	44 008

DEPRECIATION, AMORTIZATION & IMPAIRMENT	31/12/2020	Charges	Reclassification	Decreases	30/06/2021
Intangible assets					
Trademark	-	-	-	-	-
Concessions, patents & licenses	12 859	2 475	-	-	15 334
Other intangible assets	10	-	-	-	10
	12 869	2 475	-	-	15 344
Plant and equipment	98	1	-	-	99
General fixtures and fittings	607	20	-	(608)	19
Vehicles	-	-	-	-	-
Office and computer equipment, furniture	1 262	137	-	-	1 400
PP&E in progress	-	-	-	-	-
Property, plant and equipment	1 968	158	-	(608)	1 518
Goodwill	810	157			967
TOTAL depreciation, amortization & impairment	15 647	2 790	-	(608)	17 829
NET NON-CURRENT ASSETS	20 606	5 674	-	(103)	26 179

During the period, the Group capitalized development costs totaling €7,700,000 under intangible assets in progress in respect of games for which it holds all or part of the intellectual property rights and/or operating rights.

NOTE 3 : FINANCIAL ASSETS

	31/12/2020	Increases	Decreases	30/06/2021
Other LT investment securities	0	-	-	0
Liquidity contract	106	658	(711)	53
Deposits and guarantees	1 906	167	(327)	1 747
TOTAL	2 012	825	(1 038)	1 800

NOTE 4 : RECEIVABLES

Receivables breakdown as follows:

	30-Jun-21	31-Dec-20
Supplier receivables and credit notes receivable	406	8
Social security receivables	5	-
VAT	262	195
Tax credits	7 178	4 830
Other tax receivables	30	14
Prepaid expenses	733	579
Other receivables		
Total other receivables	8 614	5 626

Tax credits are mainly related to the CIJV.

Trade receivables break down as follows:

	30-Jun-21	31-Dec-20
Trade receivables (gross)	28	1 844
Unbilled revenue	1 152	799
Impairment	-	-
Trade receivables (net)	1 180	2 643
<i>Impairment rate</i>	0%	0%

All receivables are due within one year.

NOTE 5 : DEFERRED TAXES

In the absence of a sufficient profit history, the conditions for recognizing deferred taxes in respect of tax loss carryforwards were not considered to be met at the end of the periods presented.

There are no deferred tax liabilities.

NOTE 6 : NET CASH AND CASH EQUIVALENTS

The Group's net cash position is as follows:

	30/06/2021	31/12/2020
Short-term investments	10 058	3 050
Cash in hand and at bank	52 847	18 167
Short-term bank loans and overdrafts	(2)	-
NET CASH AND CASH EQUIVALENTS	62 902	21 217

NOTE 7 : SHARE CAPITAL

- **COMPOSITION**

At June 30, 2021, the share capital amounted to €168,000 comprising 8,400,937 shares with a par value of €0.02 each. It changed as follows during the period:

	Date	Number of shares
December 31, 2019		4 673 522
Capital increase	July 7, 2020	487 821
December 31, 2020		5 161 343
Capital increase	February 1, 2021	3 125 000
Bonus shares vested	March 25, 2021	114 594
June 30, 2021		8 400 937

▪ **POTENTIAL CAPITAL**

The summary table of dilutive instruments is as follows:

	Warrants attached to bonds	Other warrants	Founders' warrants (BSPCE)	Bonus shares	Total outstanding dilutive instruments
Initial allocation	121 457	157 105		207 391	485 953
Exercised b/fwd	-				-
Lapsed b/fwd	-	(14 239)		(36 338)	(50 577)
Number outstanding at Dec 31, 2020	121 457	142 866	-	171 053	435 376
Allocated during the period	-	-	236 305	179 249	415 554
Exercised during the period	-	-	-	(114 594)	(114 594)
Expired during the period	-	-	-	-	-
Lapsed (following employee departure) during the period	-	(358)	-	(2 785)	(3 143)
Number outstanding at June 30, 2021	121 457	142 508	236 305	232 923	733 193
Potential capital increase	2 429	2 850	4 726	4 658	14 664

NOTE 8 : PROVISIONS

Provisions changed as follows during the period:

PROVISIONS	December 31, 2020	Charges	Reversals	June 30, 2021
Provision for disputes	-	-	-	-
Provision for retirement bonuses	811	91	-	901
CIJV contingency provision	1 739	-	-	1 739
Other provisions for contingencies	-	388	-	388
Provision for currency losses	-	-	-	-
TOTAL	2 550	478	-	3 028
<i>of which operating</i>		91	-	
<i>of which financial</i>		-	-	
<i>of which non-recurring</i>		388	-	

▪ **PROVISIONS FOR RETIREMENT BONUSES**

The provision at June 30 was calculated on the basis of the projection drawn up for the purposes of the 2020 balance sheet date calculation.

▪ **CIJV CONTINGENCY PROVISION**

This provision is designed to cover the risk concerning payment of part of the CIJV video game tax credit depending on when final approval for the game is obtained.

▪ **OTHER PROVISIONS FOR CONTINGENCIES**

This provision is designed to cover the risk of the expected partial early termination of a lease during H2 2021.

NOTE 9 : FINANCIAL DEBTS

All borrowings are contracted in euros.

Changes during the period were as follows:

	31-Dec-20	Increase	Decrease	30-Jun-21
Government loans	150	-	(25)	125
Convertible bonds	-	-	-	-
Borrowings from credit institutions	3 570	-	-	3 570
Other borrowings	-	-	-	-
Finance lease borrowings	301	29	(89)	241
Employee profit-sharing	-	-	-	-
Accrued interest on loans	-	-	-	-
Accrued interest on other borrowings	7	-	(7)	-
Accrued interest on convertible bonds	-	-	-	-
Short-term bank loans and overdrafts	-	2	-	2
TOTAL	4 028	31	(121)	3 938

The maturity schedule of borrowings at June 30, 2021 is as follows:

	30-Jun-21	Repayment schedule		
		< 1 year	1-5 years	> 5 years
Government loans	125	125	-	-
Borrowings from credit institutions	3 570	-	3 570	-
Finance lease borrowings	241	87	154	-
Short-term bank loans and overdrafts	2	2	-	-
TOTAL	3 938	214	3 724	-

NOTE 10 : OTHER PAYABLES

At June 30, 2021, other payables break down as follows:

	30-juin-21	31-déc-20
Social security payables	2 542	1 965
VAT	42	398
Other tax payables	205	217
Deferred income	793	1 252
Other payables	20	210
TOTAL	3 602	4 042

Revenue is recognized using the percentage of completion method. The portion of invoicing not recognized under income under this method is recognized as deferred income.

NOTE 11 : REVENUES - SEGMENT REPORTING

Group revenues are generated in a single business segment: video game development.

Royalty revenues on sales of games amounted to €2.7 million in H1 2021 versus €0.9 million in H1 2020.

A breakdown of revenues by region is not provided, as it could lead to disclosure of the names of the Company's partners.

The Group now has a subsidiary in Canada. In view of its date of creation, at June 30, 2021 the Group is subject to a marginal currency risk in connection with translating the new subsidiary's financial statements.

NOTE 12 : DEPRECIATION, AMORTIZATION, IMPAIRMENT AND PROVISION CHARGES AND REVERSALS

Depreciation, amortization, impairment and provision charges net of reversals for the period are as follows:

DEPRECIATION, AMORTIZATION, IMPAIRMENT AND PROVISION CHARGES AND REVERSALS	December 31, 2020	Charges	Reversals	June 30, 2021
Impairment	-	-	-	-
Provisions for contingencies and charges	2 550	478	-	3 028
Subtotal		478	-	
Depreciation and amortization		2 634	-	
TOTAL		3 112	-	
<i>of which operating</i>		2 724	-	
<i>of which financial</i>		-	-	
<i>of which non-recurring</i>		389	-	

NOTE 13 : NET NON-RECURRING ITEMS

	INCOME	EXPENSES
Operating transactions		
- Share of grants transferred to income		
- Non-recurring provisions and impairment	-	388
- Fixed compensation paid in connection with change of premises	515	
- Other	-	287
Capital transactions		
- Non-current asset disposals	103	103
TOTAL	618	778
		(160)

The non-recurring provision charge relates to the partial termination of a current lease.

NOTE 14 : INCOME TAX

In the absence of deferred taxes, this item corresponds to the CIJV video game tax credit.

NOTE 15 : EARNINGS PER SHARE

	2021 (6 months)	2020 (6 months)
Net income (€)	354 667	667 053
Average number of shares outstanding	7 808 629	4 673 522
Average diluted shares outstanding	8 541 822	5 128 241
Earnings per share (€)	0,05	0,14
Diluted earnings per share (€)	0,04	0,13

NOTE 16 : PRESENTATION OF AN ECONOMIC OPERATING RESULT

The CIJV tax credit is an integral part of the video game studios' business model. Therefore, although it is recognized under "Income taxes", the table below presents an economic operating result that includes CIJV.

	2021 (6 months)	2020 (6 months)
Book net operating income/(loss)	(1 725)	(1 460)
+ Depreciation, amortization, impairment and provisions	2 724	909
+ CIJV tax credit	2 348	2 290
Operating EBITDA	3 347	1 739
Depreciation, amortization, impairment and provisions	(2 724)	(909)
Operating EBIT	623	830

4. OTHER INFORMATION

NOTE 17 : GROUP HEADCOUNT

The average Group headcount was 245 in H1 2021 versus 243 in H1 2020.

NOTE 18 : OFF-BALANCE SHEET COMMITMENTS

▪ **COMMITMENTS GIVEN**

Commitments given	30/06/2021	31/12/2020
Financing commitments		
Assigned receivables not due		
Pledges, mortgages and security interests		
Sureties, guarantees and endorsements given	1 709	1 709
Debt covered by security interests		
Other commitments		
Commitments on future payments	6 452	7 734
TOTAL	8 161	9 443

In relation to the lease agreement on the Company's new premises, a first demand guarantee was given to BNP in the amount of €1,709,000. This commitment can be converted into a guarantee deposit after 3 years without any payment incident.

Future payment commitments break down as follows:

	Total	Payments due per period		
		≤ 1 year	> 1 year and ≤ 5 years	> 5 years
Operating leases	6 452	1 229	4 916	307

- **COMMITMENTS RECEIVED**

The PGE loan is guaranteed by the state.

To the best of the Company's knowledge, there are no other material off-balance sheet commitments according to current or potential future accounting standards.

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