Companies' Register and Tax Code 07258710586
Economic and Administrative Repository (R.E.A.) of Rome 604174

Mondo TV S.p.A.

Share capital Euro 14,361,232.- fully paid-in

Registered office	**Via Brenta 11- Rome**
Other offices	**Via Montenero, 42 - 44 Guidonia (RM)** **Via Melchiorre Gioia, 72 - Milan** **52, Rue Gerard - 75013 Paris (France)** **C/ Ríos Rosas, 36. - Madrid (Spain)** **Via Crocicchio Cortogna, 6 - Lugano (Switzerland)** **Calle Cruz Verde, 22 - Tenerife (Canary Islands, Spain)**

Annual Financial Report as at 31 December 2016

Draft: Board of Directors' Meeting of 29 March 2017
Approved: Shareholders' Meetings of 29 April 2017

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BOARD OF DIRECTORS

Chairman	Orlando Corradi
Chief Executive Officer	Matteo Corradi
Directors	Monica Corradi Carlo Marchetti Marina Martinelli (Independent) - Chair of the Remuneration Committee and member of the Internal Control Committee Francesco Figliuzzi (Independent) - Chair of the Internal Control Committee and member of the Remuneration Committee

BOARD OF STATUTORY AUDITORS

Chairman	Marcello Ferrari
Statutory Auditors	Adele Barra Vittorio Romani
Alternate Auditors	Alberto Montuori Silvia Gregori

INDEPENDENT AUDITORS

BDO Italia S.p.A.

GENERAL COMMENTARY

Shareholders,

The annual and consolidated financial statements of Mondo TV S.p.A. ("Group" or "Mondo TV Group") as at 31 December 2016, which we submit for your examination and approval, have been prepared in accordance with International Financial Reporting Standards (IFRS).
This report has been prepared in accordance with art. 2428 of the Civil Code; it provides the most significant information on the economic, equity, financial situation and management of Mondo TV S.p.A. and the Group, as defined below.
For the purpose of preparing the annual and consolidated financial statements, Mondo TV S.p.A. has exercised the option granted by current legislation on financial statements, of presenting a single Report on Operations that accompanies both the individual and consolidated financial statements of the Parent, giving more prominence, unless otherwise indicated, to the phenomena at Group level.

The Group operated in 2016, as in the previous year, in a context of economic stagnation, both in Italy and in most of Europe; in this context, the sales strategy of the Group Companies, already undertaken in previous years, was successful based on penetration in countries not impacted by the economic crisis, such as the United Arab Emirates, China, Asia and Russia.
In addition, the disappearance in recent years of a number of operators on the animation market in particular, has allowed the Parent to acquire new customers due to reduced competition.

Consolidated results

Compared to the year 2016, the increase in revenues of Euro 10.7 million in absolute value and around 62% in percentage terms is attributable to both the higher sales of television rights on the Asian market and the Group's production activity, with particular reference to the advancement of production on international contracts acquired by the Parent Company and the subsidiaries Mondo TV Suisse and Mondo TV Iberoamerica, recently listed on the Madrid Stock Exchange on the MAB market.

The capitalisation of internally produced animated series mainly refers to the productions of the Parent Company and was Euro 1.2 million (Euro 1.6 million in 2015).

Operating costs increased by only Euro 0.2 million despite the significant increase in turnover due to the reduction in overhead costs and the rationalization of production costs.

The Gross Operating Margin went from 9.3 million 2015 to Euro 19.4 million in 2016, an increase of Euro 10.1 million; the increase of 109% was mainly due to the higher volume of revenues in 2016.

In light of the foregoing, operating profit after amortisation, depreciation, impairment and provisions (Euro 6.7 million, compared to Euro 3.7 million in 2015) is positive for Euro 12.7 million, compared to Euro 5.6 million in 2015.

After the financial management was essentially zero (negative for Euro 0.1 million in 2015), and after income taxes of Euro 4.5 million (2.2 million in 2015), there was a significant increase in the Group's net profit of Euro 8.6 million compared to Euro 3.1 million in the previous year.

Despite the significant investments made during the year, the net financial position showed a Group net debt of Euro 0.7 million, also due to the extraordinary finance transactions with GEM and Atlas (reference is made to the paragraph dedicated to Significant events in 2016, for further information), compared to Euro 0.1 million available as at 31 December 2015.

The Group's equity went from Euro 39.1 million as at 31 December 2015 to Euro 55.4 million as at 31 December 2016, mainly due to the aforementioned extraordinary finance transactions for approximately Euro 8.4 million and the positive result of the year of approximately Euro 8.6 million, taking into account the dividends distributed for a total amount of approximately Euro 2 million.

Results of the Parent Company

Compared to the year 2016, the increase in revenues of Euro 11.4 million in absolute value and around 82% in percentage terms is attributable to both the higher sales of television rights on the Asian market and production activity, with particular reference to the advancement of production on international contracts acquired by the Parent Company and the subsidiary Mondo TV Suisse.

The capitalisation of internally produced animated series was Euro 1.2 million (Euro 1.1 million in 2015).

Operating costs decreased by Euro 0.8 million also due to the reduction in overhead costs and the rationalization of production costs.

The Gross Operating Margin went from Euro 7.0 million 2015 to Euro 19.1 million in 2016, an increase of Euro 12.1 million; the increase of 175% was mainly due to the higher volume of revenues in the year.

In light of the foregoing, operating profit after amortisation, depreciation, impairment and provisions (Euro 6.1 million, compared to Euro 1.8 million in 2015) is positive for Euro 13.1 million, compared to Euro 5.1 million in 2015.

After the negative financial management of Euro 0.1 million, compared to a financial management substantially equal to zero in 2015, and after income taxes of Euro 4.3 million (Euro 2.1 million in 2015), there was a significant increase in net profit for the year of Euro 8.6 million compared to Euro 3.0 million in the previous year.

Despite the significant investments made during the year, the net financial position showed net availability of Euro 2.5 million (substantially represented by medium to long-term financial receivables from subsidiaries), also due to the extraordinary finance transactions with GEM and Atlas (reference is made to the paragraph dedicated to Significant events in 2016, for further information), compared to net debt of Euro 0.2 million as at 31 December 2015.

The equity of Mondo TV S.p.A. went from Euro 38.9 million as at 31 December 2015 to Euro 54.7 million as at 31 December 2016, mainly due to the aforementioned extraordinary finance transactions for approximately Euro 8.4 million, the positive result of the year of approximately Euro 8.5 million, taking into account the dividends distributed for about Euro 2 million.

DESCRIPTION OF THE COMPANY'S OPERATING CONDITIONS

The Group has historically been operating in the business of producing and marketing television series and full-length animated movies. For more than five years now, the Company has been focusing on sectors related with its core business, chief among them, especially in perspective, the exploitation of its rights for merchandising purposes. Moreover, starting from the previous year, the Group and in particular the Parent Mondo TV S.p.A. has changed its production and sales strategy, focusing efforts and investments mainly on new productions with high licensing potential, co-produced with third parties, and on the distribution of third-party libraries.
In 2016, the economic context of reference was characterized by stagnation. The weak advertising sales have, in fact, adversely affected the volume of new investments by general television and sales of licensing and merchandising, especially in Europe, while there is a recovery of interest for the creation of new productions.
The economic crisis has led to a selection of operators, for which interesting prospects open up for companies today still on the market.

Below is a brief description of the business of the Parent and of the subsidiaries, as well as of the relevant strategic missions:

The Parent **Mondo TV S.p.A.** emphasised its vocation as a company dedicated to the production of animation series and, to a lesser extent, the acquisition thereof on the market, for exploitation in both the television sector and in licensing and merchandising.

Mondo TV France S.A. produces and coproduces animated television series for French broadcasters and, from a strategic point of view, allows the Mondo TV Group to expand its operations to France and French-speaking countries. The company is listed at the AIM Italy - Alternative Capital Market (hereinafter, “AIM Italy”) organised and managed by Borsa Italiana S.p.A. (Italian Stock Exchange); the percentage of investment of Mondo TV S.p.A. amounts to about 39%.

Mondo TV Suisse S.A. realizes productions and co-productions of animated television series for clients in the USA, the Middle East, Asia and Russia.
In particular, we highlight, among others, the agreement with Abu Dhabi Media for the realization in a three-year period of nine animated series for a total of at least USD 14.1 million.
The company is listed at the AIM Italy - Alternative Capital Market (hereinafter, “AIM Italy”) organised and managed by Borsa Italiana S.p.A. (Italian Stock Exchange). The percentage of investment of Mondo TV S.p.A. is approximately 64%.

The mission of **Mondo TV Iberoamerica S.A.** is to sell the television rights of the Group’s Library in Spain, Portugal, and South America, and to produce and coproduce animated television series in Spanish and Portuguese for TV broadcasters. The company was listed in 2016 on the Mercato Alternativo Bursatil (MAB) on the Madrid stock exchange. The percentage of investment of Mondo TV S.p.A. is 72%.

Mondo TV Toys S.A., incorporated in 2016, is aimed at the penetration of the Group in the toys business sector; the company is currently focused on market analysis. The percentage of investment of Mondo TV S.p.A. is 100%.

Mondo TV Producciones Canarias S.L.U., also incorporated in 2016, is aimed at the realisation of specific phases of production of animated series and, more generally, of television productions, benefiting from the tax advantages recognised by the local authorities. The percentage of investment of Mondo TV S.p.A., through Mondo TV Iberoamerica S.A., is 72%.

The table below summarises the sectors into which Mondo TV Group’s business is broken down, indicating the relevant companies:

The Mondo TV Group	
Company	**Sectors**
Mondo TV S.p.A.	*Production, Distribution, Licensing*
Mondo TV Suisse S.A.	*Production, Distribution*
Mondo TV France S.A.	*Production*
Mondo TV Iberoamerica S.A.	*Distribution*
Mondo TV Toys S.A.	*Distribution*
Mondo TV Producciones Canarias S.L.	*Production*

The television distribution business consists in the selling and/or licensing of television rights relating to the series and full-length animated movies in the Group’s Library.
The main buyers are coproducers, distributors, and over-the-air, cable, and satellite TV broadcasters, either public or private, in Italy and abroad.
Furthermore, the development of new technologies in the multimedia communication field opens new and interesting markets and/or market niches for the Group.
The Group carries out production on its own behalf or, as customary in this business, in partnership with third-party companies that participate in production, bearing part of the costs and/or organisational and production expenses, while the Group is responsible for creative development and governs, de facto, the entire production process.
Production is carried out under the direction and supervision of the Group’s management, which uses, in whole or in part and as per standard industry practice, external artists, screenwriters and Directors as well as animation studios entrusted with the production of the series and of the full-length animated movies.
In short, the steps in producing a television series are as follows:

Pre-production	Story and characters Screenplay Basic drawings Storyboard
Production	Drawings Direction
Post-production	Verification and completion of compositing Final editing Dialogue track and sound track Synchronisation and mixing

In 2015, the Group started to implement the strategic development line already traced in the two previous years which envisages:

1. relaunching the animated cartoon production business through the acquisition of new highly marketable co-productions;
2. expanding the range of third parties' products, both in the historical business of cartoons and in relation to the so-called "live action" products for the young audience;
3. strengthening the foreign markets where the Group already operates, and developing new markets, in particular the Chinese and, more in general, the East Asian markets in order to increase their sales;
4. optimising synergies in the audiovisual, licensing and merchandising businesses for the acquisition of new property and for product sales;
5. reorganising internal work, in particular in the production business, for cost reduction and efficiency purposes.

The line of strategic development traced out is that of a gradual growth of the Library accompanied by an increasingly intense and widespread exploitation, both in the conventional sector of the granting of TV rights and in the "newer" (for the Group) field of related sectors.

KEY DATA OF THE GROUP AND PARENT COMPANY

MONDO TV GROUP

The Mondo TV Group's reclassified financial position, financial performance and cash flows are shown below in comparison with the data of the previous year.

Reclassified condensed consolidated statement of financial position		
(in thousands of Euro)	**31/12/2016**	**31/12/2015**
Non-current fixed assets	**36,801**	**24,712**
Current assets	35,981	29,340
Current liabilities	(15,465)	(13,168)
Net working capital	**20,516**	**16,172**
Non-current liabilities	**(638)**	**(509)**
Invested capital	**56,679**	**40,375**
Net financial position	(703)	106
Total equity	**55,976**	**40,481**
Non-controlling interests	564	1,387
Group shareholders' equity	**55,412**	**39,094**

Reclassified condensed consolidated income statement		
(in thousands of Euro)	**2016**	**2015**
Revenue	28,046	17,345

Capitalisation of internally produced animated series	1,200	1,574
Operating costs	(9,851)	(9,624)
EBITDA	**19,395**	**9,295**
Amortisation and depreciation, impairment, and provisions	(6,688)	(3,712)
EBIT	**12,707**	**5,583**
Net finance income (costs)	9	(134)
Profit (loss) of the period before tax	**12,716**	**5,449**
Income tax expense	(4,453)	(2,170)
Net profit for the period	**8,263**	**3,279**
Profit (loss) for the year attributable to non-controlling interests	(292)	189
Profit (loss) attributable to owners of the Parent	**8,555**	**3,090**

Basic and diluted earnings (losses) per share	**0.31**	**0.12**

Consolidated net financial position

(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Cash and cash equivalents	1,810	2,869	(1,059)
Current financial payables due to banks	(2,095)	(2,529)	434
Current payables due to COFILOISIR	0	(324)	324
Net current financial position	**(285)**	**16**	**(301)**
Non-current payables due to banks	(580)	(217)	(363)
Net non-current financial position	**(580)**	**(217)**	**(363)**
Net financial debt com. Consob DEM/6064293	**(865)**	**(201)**	**(664)**
Non-current receivables due from third parties	162	307	(145)
Consolidated net financial position	**(703)**	**106**	**(809)**

Financial ratios

	2016	**2015**
ROI (EBIT / invested capital)	22.42%	13.83%
ROS (EBIT / revenue)	45.31%	32.19%
ROE (profit for the year / equity of the Group)	15.44%	7.90%
Equity to non-current assets ratio (cons. equity+equity / NCA)	1.54	1.66
NFP / equity	0.01	0.00

Management uses the items indicated in the above reclassified Group's statements in assessing the Company's performance. These measures are in part taken from the statutory financial statements and reported further on in this document, and are in part the result of aggregations; as required by recommendation CESR/05 – 178 b, the composition of each measure and the references to the items in the statutory financial statements are shown below.

Fixed assets: the item consists of intangible assets, property, plant and equipment, and deferred tax assets.
Current assets: the item consists of trade receivables, tax assets, and other current assets.

Current liabilities: the item consists of trade payables, tax liabilities, and other short-term liabilities and provisions.
Non-current liabilities: the item consists of provisions for risks and charges, deferred tax liabilities, and post-employment benefits.
Net financial position: the item consists of current and non-current financial receivables, cash and cash equivalents, current and non-current financial payables.
Revenues: the item consists of revenues from sales and services and other revenues.
Operating costs: the item consists of costs for consumption of raw materials, consumables and goods, personnel costs and other operating costs.
Amortisation, depreciation, impairment and provisions: the item consists of amortisation and impairment of intangible assets, depreciation and impairment of property, plant and equipment, and the allowance for doubtful debts.
Current financial payables due to banks and Current Payables due to Cofiloisir: these two items are shown as an aggregate in the statutory financial statements; their composition is detailed in note 10.
Non-current payables due to banks: their composition is detailed in note 11.

The items mentioned above, such as EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), EBIT, and net financial position are usually identified without having a consistent definition in the accounting standards or in the Italian Civil Code, and therefore may not be comparable with items of the same name reported by other companies. Please refer to the general commentary for more details on the net financial position.

All the indexes outlined above show an economic and financial improvement of 2016 operations compared to the previous year.

MONDO TV S.P.A. PARENT

The reclassified financial position, financial performance and cash flows of the Parent Mondo TV S.p.A. (hereinafter also "Mondo TV" or the "Company") are shown below reclassified and in comparison with the data of the previous year:

Condensed statement of financial position		
(in thousands of Euro)	**31/12/2016**	**31/12/2015**
Non-current fixed assets	**33,756**	**24,379**
Current assets	34,404	28,803
Current liabilities	14,560	12,959
Net working capital	**19,844**	**15,844**
Non-current liabilities	**1,400**	**1,171**
Invested capital	**52,200**	**39,052**
Net financial position	2,476	(182)
Total equity	**54,676**	**38,870**

Condensed comprehensive income statement		
(in thousands of Euro)	**2016**	**2015**
Revenue	25,166	13,799

Capitalisation of internally produced animated series	1,159	1,138
Operating costs	(7,195)	(7,970)
EBITDA	**19,130**	**6,968**
Amortisation and depreciation, impairment, and provisions	(6,051)	(1,841)
EBIT	**13,079**	**5,127**
Net finance income (costs)	(133)	(39)
Profit (loss) of the period before tax	**12,946**	**5,088**
Income tax expense	(4,302)	(2,083)
Profit (loss) for the year	**8,644**	**3,005**
Earnings per share	**0.31**	**0.11**
Diluted earnings per share	**0.31**	**0.11**

Net financial position		
(in thousands of Euro)	**31/12/2016**	**31/12/2015**
Cash and cash equivalents	1,380	1,656
Short-term financial receivables	134	0
Short-term financial payables	(1,245)	(1,928)
Net short-term financial position	**269**	**(272)**
Long-term financial receivables	2,787	307
Medium/long-term portion of loans payable	(580)	(217)
Net medium/long-term financial position	**2,207**	**90**
Net financial position	**2,476**	**(182)**

Financial ratios		
	2016	**2015**
ROI (EBIT/invested capital)	25.06%	13.13%
ROS (EBIT/revenue)	51.97%	37.15%
ROE (profit for the year/equity)	15.81%	7.73%
Equity to non-current assets ratio (cons. equity+equity/NCA)	1.66	1.64
NFP/equity	-0.045	0.00

Management uses the items indicated in the above reclassified statements in assessing the Company's performance. These measures are in part taken from the statutory financial statements and reported further on in this document, and are in part the result of aggregations; as required by recommendation CESR/05 – 178 b, the composition of each measure and the references to the items in the statutory financial statements are shown below.

Fixed assets: the item consists of intangible assets, property, plant and equipment, investments and deferred tax assets.
Current assets: the item consists of trade receivables, tax assets, and other current assets.
Current liabilities: the item consists of trade payables, tax liabilities, and other short-term liabilities and provisions.

Non-current liabilities: the item consists of provisions for risks and charges, deferred tax liabilities, and post-employment benefits.
Net financial position: the item consists of current and non-current financial receivables, cash and cash equivalents, current and non-current financial payables.
Revenues: the item consists of revenues from sales and services and other revenues.
Operating costs: the item consists of costs for consumption of raw materials, consumables and goods, personnel costs and other operating costs.
Amortisation, depreciation, impairment and provisions: the item consists of amortisation and impairment of intangible assets, depreciation and impairment of property, plant and equipment, and the allowance for doubtful debts.
Current financial payables due to banks: the item is shown as an aggregate in the statutory financial statements; its composition is detailed in note 11.
Non-current payables due to banks: their composition is detailed in note 11.

The items mentioned above, such as EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), EBIT, and net financial position are usually identified without having a consistent definition in the accounting standards or in the Italian Civil Code, and therefore may not be comparable with items of the same name reported by other companies. Please refer to the general commentary for more details on the net financial position.

All the indexes outlined above show an economic and financial improvement of 2016 operations compared to the previous year.

SIGNIFICANT EVENTS OF 2016

INVESTMENTS IN THE LIBRARY

The Parent Mondo TV S.p.A.'s typical production activities, as well as the acquisition and production activities carried out by the other Group companies, continued in 2016, as summarised in the table below.

Investments in the Library (in thousands of Euro)		
Category	**31/12/2016**	**31/12/2015**
Animated movies	0	5
Animated series	16,561	8,676
Live series	2,635	0
Sub-total of investments in new productions	***19,196***	***8,681***
Temporary licenses – animation	413	768
Temporary licenses – live	859	155
TOTAL	**20,468**	**9,604**

The most significant investments (mainly made by the Parent Company) for series for which economic exploitation has already begun include Invention Story, Treasure Island, Naraka, Final Fight, Bat Pat and Sissi, while the most significant investments currently underway (also made mainly by the Parent Company) relate to the series Adventures in Duckport, Rowly Powlys, Partidei, Beastkeepers.

ACQUISITION AND ESTABLISHMENT OF NEW COMPANIES

In January 2016, the Parent Mondo TV S.p.A. established Mondo TV Toys S.A., based in Lugano and with share capital of CHF 100,000, which will be active in the Toys sector.
As at 31 December 2016, the Parent Company held 100% of the share capital.

In July 2016, the subsidiary Mondo TV Iberoamerica S.A. established Mondo TV Producciones Canarias S.L.U., based in Tenerife, in order to carry out some production activities for both cartoons and live fiction, both for the Group and for third parties.
As at 31 December 2016, the Parent Company held, indirectly through Mondo TV Iberoamerica S.A. approximately 72% of the share capital.

SIGNIFICANT EVENTS OF 2016

With a sentence published on 18 December 2015, the Parent Mondo TV S.p.A., Orlando Corradi and Matteo Corradi were sentenced by the Court of Milan to pay a total amount of Euro 2 million, plus interest and costs, for a total of approximately Euro 2.4 million by way of damages, against a total request of the plaintiffs amounting to Euro 30 million.
On 2 February 2016, a settlement agreement was signed between the parties, which envisages a total amount by way of compensation by Mondo TV S.p.A., Orlando Corradi and Matteo Corradi amounting to approximately Euro 2.1 million, with a discount therefore of approximately Euro 0.35 million with respect to the first instance sentence and with reciprocal waiver of appeal.
The overall expense for Mondo TV S.p.A. is equal to a third of the amount transacted, and thus about Euro 0.68 million, which was fully allocated to the provision for risks and charges as at 31 December 2015. As at 31 December 2016, the payable was fully settled.

On 22 February 2016, the Parent Mondo TV S.p.A. signed an investment agreement with GEM Global Yield Fund Limited LCS SCS and GEM Investments America LLC, which provides a reserved capital increase, with the exclusion of option rights, for a maximum of Euro 35 million, through the use of a Share Subscription Facility.
Mondo TV also issued a global warrant, exercisable within three years of issue, in favour of GEM for the subscription of 500,000 Mondo TV shares at the price of Euro 6.50 per share, 1,500,000 Mondo TV shares at the price of Euro 8,00 per share and 500,000 Mondo TV shares at the price of Euro 10 per share, for a total value of Euro 20.25 million.
On 9 March 2016, the Board of Directors of Mondo TV sent the first subscription request related to the investment agreement with GEM; following the first request, in April, GEM subscribed 1,226,339 shares for a total, net of commissions, of approximately Euro 5 million.

In April, the subsidiary Mondo TV Iberoamerica concluded an agreement with Alianzas Producciones S.A., a company based in Buenos Aires and already a producer of successes such as “Chica Vampiro”, “Il Mondo di Patti” and “Yo soy Franky”, for the coproduction of a new live teen series. The new project, with the provisional title *“Heidi, benvenuta a casa”*, will consist of 60 episodes of 45 minutes each and will be a modern adaptation of the famous story related to the character *“Heidi”*.
Mondo TV Iberoamerica will participate in coproduction with a budget contribution of USD 2.9 million, acquiring 60% of the copyright on the work, while the partner will deal with the realisation phase as executive producer. Mondo TV Iberoamerica will deal with the distribution of the program around the world with the exclusion of the territories of Argentina, Chile, Paraguay and Uruguay with a variable commission depending on whether there is a direct sale or through sub-distributor.

With this contract, Mondo TV Iberoamerica will start the development of a new business for the Mondo TV Group in response to the growing demand for live teen television products, already demonstrated by the sales made by Mondo TV Iberoamerica in recent years of series such as “Grachi”, “Suena Conmigo”, “Yo Soy Franky” and the most general trend in the audiovisual market that has seen in this type of product in recent years the biggest successes among teen programs. Therefore, important results are expected in the coming years from this branch of business.

In May, a contract was signed for the realisation of two new animation projects in Asia; the contract envisages production by Nada Holdings, a company based in Taipei (Taiwan) on behalf of and in the interest of Mondo TV of two television animation series. A project, with the provisional title *“Final Fight”,* will consist of

26 episodes of 22 minutes each, while the other project with the provisional title *"Naraka"* will consist of 52 episodes of 11 minutes each. The two projects must be completed by 31 December 2018. Mondo TV has determined the production budget of USD 6 million per project, which will be paid to Nada Holdings during production.

The project for the realization of the two series therefore involves the development by Mondo TV, through the executive work of Nada Holdings, of two new properties destined primarily to the Chinese and Asian markets: therefore, for the first time, Mondo TV will try to penetrate the Far East with a project designed and developed specifically for this very important and potentially very rich market. In fact, the development of two properties with an exquisitely Asian feel offers greater development potential in this geographic area also of its toy products and merchandising.

Nada Holdings, through its subsidiary Nada Anime, will therefore deal with executive production under the process control of Mondo TV, which will be the only owner of the properties.

This agreement marks a new important step in the internationalisation strategy of the Mondo TV Group with the creation for the first time of two projects with a strong business vocation in China and Asia in order to exploit the great opportunities in terms of turnover that can come from that area.

In relation to these two productions, Mondo TV has concluded a contract with New Information Tech ("NIT"), based in Taipei (Taiwan), to purchase 50% of the exploitation rights of the two series. NIT will also be responsible for distribution of the two series in China for a period of five years.

The amount for the purchase of these rights, which will be paid by NIT to Mondo TV in several tranches already in the course of realisation of the two series and therefore in the next three years, is USD 5 million for each series.

Identifying a partner that can support Mondo TV in launching its products in the east is an important step in realizing the development plan of the two new properties that, as announced, are primarily targeted at the Chinese and Asian markets.

In July, Mondo TV S.p.A., Atlas Alpha Yield Fund and Atlas Capital Markets signed an agreement by which Atlas undertook to subscribe, in several tranches and only following specific subscription requests made by the Company, 60 bonds convertible into shares for a total of Euro 250 thousand each. In particular, the Atlas Contract stipulates that the Company may require the Bond to be subscribed within 18 months from the date of signing of the Atlas Contract or if prior, as of 1 September 2016, in four tranches, the first of which for 18 Bonds, for a total value of Euro 4,500 thousand, the second for 12 Bonds for a total value of Euro 3,000 thousand, the third for 18 Bonds, for a total value of Euro 4,500 thousand, the fourth and last for 12 Bonds for a total value of Euro 3,000 thousand.

With the issue of the Bonds, subject to certain contractual terms, Atlas is committed to convert them into ordinary shares of the Company within a maximum period of 5 years from their issue (the "Conversion Period") according to a mechanism to determine the number of shares to be issued that takes into account the average stock market price of the five days prior to the conversion request with a 2% discount.

The Contract also envisaged the issue, in favour of Atlas, of a warrant for the subscription in the period 1 April 2018 and 1 April 2021, of 215,000 Mondo TV shares at the price of Euro 6.50 per share, 640,000 Mondo TV shares at the price of Euro 8,00 per share and 215,000 Mondo TV shares at the price of Euro 10 per share, for a total value of Euro 8,667.5 thousand.
In September, the Company requested the issue of the first bond tranche for a total, net of commissions, of about Euro 4.0 million; said first tranche was fully converted by 31 December 2016.

In October, the subsidiary Mondo TV Iberoamerica, together with co-producer Alianzas Producciones, signed an agreement with Nickelodeon Latin-America for the entry of the latter in the production of the live teen series *"Heidi, Bienvenida a casa",* currently in production.
By virtue of the new agreement with the primary television operator of programs for teenagers, the series may have the best TV exposure, with the broadcast of episodes (60 of 60 minutes each) in prime time in Latin American countries starting already from the first months of 2017.

The agreement is an important step in the dissemination of property knowledge in the audiovisual market and merchandising in the B2B channel, and is a very important starting point for expected large development of licensing and merchandising throughout the area.
In addition, this agreement already allows for a significant coverage of the production budget and developments for toy and licensing and merchandising in Latin America will have a great positive impact on the Group's 2017-2020 accounts.

In October, the Parent Company signed a production contract for the realisation of three new 3D CGI animation projects with Studio56, a Hong Kong company and part of the international network of animation studios operating under the name Studio56 and with structures in Hong Kong, India, Singapore and Brazil. Studio56 is already an animation service provider for the Group in the Production of "*Eddie is a Yeti"* and *"Bug Rangers"*.
Under the contract, the three projects will need to be completed by the end of November 2020; the total budget of the transaction is USD 19.5 million: Mondo TV will contribute to the production by realising some pre-production and post-production work and with a budget that, considering the amount Studio56 will pay to Mondo TV for said work, amounts to approximately USD 6.175 million for each project.
Studio56 will deal with the completion of pre-production (in particular with 3D modelling and the so-called storyboarding phase), as well as executive production and part of visual post-production (in particular the so-called special effects).
The start of production of the first project was in March 2017.

A few days after signing the agreement with Studio56 for the realisation of three new high-quality animation projects to be developed with 3D CGI technology, Mondo TV has achieved a parallel agreement with Broadvision Rights Limited, a company based in Hong Kong, for the purchase by the same company of 50% of the exploitation rights of the three series. Broadvision will also be responsible for distribution of the three series in China and India for a period of fifteen years.
The amount that will be paid during the realisation of the three series (the conclusion of which is expected by 2020) by Broadvision to Mondo TV for the purchase of these rights is USD 4.8 million for each series for a total of USD 14.4 million.

The agreement constitutes an important pre-sale of rights related to the new project and largely covers the part of the production budget of Mondo TV for the projects.

In October, Mondo TV also signed a production contract for the realisation of three new 3D CGI animation projects with the Henan York group, already a partner in the project linked to the animated series *"Invention Story"*.
Based on the contract, the three projects must be completed by November 2020.
The total budget of the transaction is USD 24 million, which Mondo TV will pay in the course of project production.
The first production project will concern a new property being developed and related to a new 3D animation program with pre-school target with provisional title *"The Rowly Powlys"*, the production of which was started at the beginning of November 2016.

Mondo TV has reached an agreement with the company Hong Kong Nine Hong Technology Limited, a company based in Hong Kong, for the purchase by the same company of 70% of the exploitation rights of said project and the other two projects (which in the intention of the parties should concern additional seasons of *"The Rowly Powlys"*) for China and 10% of exploitation rights in the rest of the world. Nine Hong Technology will also be responsible for distribution of the three series in China for a period of five years.
The amount that will be paid during the realisation of the series (the conclusion of which is expected by 2020) by Nine Hong Technology to Mondo TV for the purchase of these rights is USD 6.6 million for each series for a total of USD 19.9 million.
The agreement constitutes an important pre-sale of rights related to the new project and largely covers the part of the production budget of Mondo TV for the projects.

On 27 October 2016, the Board of Directors of the Parent Company approved the new business plan of the Group for the years 2017-2021. The following is the summary data of the plan:

- revenues from approximately Euro 37.8 million in 2017 to approximately Euro 84.5 in 2021, with a cumulative growth rate over the period of about 124%;
- a gross operating margin (EBITDA) from approximately Euro 25.9 million in 2017 to approximately Euro 63.8 million in 2021, with a cumulative growth rate of about 147%;
- operating result (EBIT) from approximately Euro 17.9 million in 2017 to approximately Euro 38.2 million in 2021 with a growth rate above 114%;
- net profit from approximately Euro 11.6 million in 2017 to approximately Euro 24.5 million in 2021 with a growth rate of 111%.

Compared to the previous business plan approved on 5 November 2015, the net profit expected for the period 2017-2021 was approximately 22% higher. The net financial position is expected to be positive throughout the plan period; shareholders' equity is expected to be more than 100 million in 2021.

In 2016, the subsidiary Mondo TV Iberoamerica launched the listing process that ended on 23 December 2016 with the stock market listing on the MAB Spanish market organised and managed by the Madrid Stock Exchange; the listing was through the distribution of approximately 26% of the shares of Mondo TV Iberoamerica to the shareholders of Mondo TV S.p.A. in the form of a dividend in kind.

In relation to the tax audit of the Parent Company in 2014, on 20 December 2016, the Revenue Agency notified two separate notices of assessment for the year 2011.

The first notice refers to VAT and IRAP; the higher VAT ascertained amounts to Euro 536 thousand plus interest, while the penalties amount to Euro 603 thousand, while no higher was IRAP ascertained.
The Company filed an appeal against the notice of assessment on 16 February 2017.

The second notice refers to IRES for 2011; the higher IRES ascertained amounts to Euro 724 thousand plus interest, while the penalties amount to Euro 651 thousand.
For this second notice, the Company submitted a request for recalculation for deduction of losses and reduction of sanctions.

For further information also on the accounting treatment, reference is made to the next section of this report.

Mondo TV Suisse continued its production activity mainly with Abu Dhabi Media and Aurora Toys; in 2017, the phase will start for the sale of television and licensing and merchandising rights, from which an increase in margins is expected.

During the year, Mondo TV France started the development of two new projects, *"Rocky"* and *"Disco Dragoon"* (scheduled for delivery from 2018), and started the study phase for a third new project.

INFORMATION ON SHAREHOLDERS AND THE SHARE PRICE

Mondo TV S.p.A.'s shareholding structure as at 31 December 2016 was as follows:

Largest shareholders			
		no. of shares	**%**
Orlando Corradi		12,807,100	44.59%
Yin Wei		2,642,441	9.20%
	Sub-total	**15,449,541**	**53.79%**
Other shareholders		13,272,922	46.21%
		28,722,463	**100.00%**

The issuer is unaware of the existence of shareholders' agreements as described in art. 122 of the

Consolidated Law on Finance (TUF, Testo Unico sulla Finanza); the general meeting did not delegate any powers to increase the share capital, issue bonds, or purchase treasury shares. No agreements exist between the Company and the Directors regarding any severance pay for the corporate bodies in case of resignation or dismissal without just cause or termination of employment following a takeover bid.

The stock price trend remained largely stable over the past 12 months; as at 29 March 2017, the stock value is equal to Euro 4.38 per share, with a Stock Market capitalisation of approximately Euro 126 million.

The statement below shows the shareholdings of the members of the Parent's Administration and Control bodies and key management personnel:

Directors' and Statutory Auditors' shareholdings				
first and last name	**shares as at 31/12/2015**	**shares purchased**	**shares sold**	**shares as at 31/12/2016**
Orlando Corradi	12,014,600	792,500		12,807,100
Matteo Corradi	13,500	0		13,500
Carlo Marchetti	4,962	550		5,512

BUSINESS OUTLOOK, MAIN RELEVANT RISKS

The Group is implementing the strategic line, through the acquisition of new productions oriented to the Group's licensing and internationalization.

In conformity with art. 154-*ter* par.4 of the Consolidated Law on Finance, it should be noted that the main risks associated with the Company's business that could affect its outlook are as follows:

<u>Credit risk</u>

Credit risk represents the Group companies' exposure to potential losses arising from the non-fulfilment of the obligations assumed by the counterparties.
Already in previous years, the Group Companies adopted appropriate procedures, such as the verification of debtors' solvency, to minimise the exposure to this risk.
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
The positions for which a risk of partial or total non-collectability is noted, are subject to individual impairment.
As at 31 December 2016, the Group's trade receivables amounted to Euro 31,261 thousand; Euro 4,634 thousand of which past due by more than 12 months; an allowance for doubtful debts of Euro 3,526 thousand was recognised in relation to these receivables.

As at 31 December 2016, the Parent's trade receivables amounted instead to Euro 29,616 thousand, of which Euro 4,376 thousand past due by more than 12 months. An allowance for doubtful debts of Euro 3,277 thousand was recognised in relation to these receivables.
Performing trade receivables have not been impaired since no significant indication of impairment emerged, based on an analysis conducted that took into account both the reliability of the individual customers, and the high distribution of credit risk.

<u>Liquidity risk</u>

Liquidity risk represents the risk that the financial resources might not be available or may be available at a cost so high that profit (loss) for the year may be affected.
In this regard, in order to be best protected against these risks, the Mondo TV Group adopts a policy for the optimization of the debt mix between short and medium/long-term and, as part of the short-term lines, a policy for diversification of the banking lines and institutions.

The following table shows the breakdown of Mondo TV Group's credit lines, expressed in millions of Euro, made available by banks as at 31 December 2016:

	CREDIT LINES - MONDO TV GROUP - 31 DEC. 2016			
	Credit lines			
	Cash	**Trade**	**Loans**	**Total**
UBS	0	1	0	1
Credit Suisse	0	0.25	0	0.25
Simest	0	0.2	0	0.2
CREDEM	0	0.4	0	0.4
CREDEM FACTORING	0	1	0	1
Veneto Banca	0	0.5	0	0.5
Total	**0**	**3.35**	**0**	**3.35**

The following table shows instead the breakdown of the credit lines, expressed in millions of Euro, of the Parent Mondo TV S.p.A., made available by banks as at 31 December 2016:

	CREDIT LINES - MONDO TV SPA - 31 DEC. 2016			
	Credit lines			
	Cash	**Trade**	**Loans**	**Total**
Intesa SanPaolo	0	0	0	0
FINNAT	0	0	0	0
CREDEM	0	0.4	0	0.4
Banca Sella	0	0	0	0
CREDEM FACTORING	0	1	0	1
Simest	0	0.2	0	0.2
Credemleasing	0	0	0	0
Veneto Banca	0	0.5	0	0.5
Total	**0**	**2.1**	**0**	**2.1**

Exchange rate risk

The Group has an exposure arising from currency transactions (US dollars). Such exposure is generated mainly by Library sales, production contracts and licenses purchases.
The exchange rate risk is managed by keeping part of cash in US dollars, normally enough to settle the debts and commitments in dollars.

As at 31 December 2016, the Group had net assets denominated in US dollars totalling USD 10,543 thousand; if the Euro/Dollar exchange rate as at 31 December 2016 had been 10% lower, foreign currency gains of Euro 1,002 thousand would have been recorded, while if the exchange rate had been 10% higher, a foreign currency loss of Euro 1,002 thousand would have been recorded.

As at 31 December 2016, the Parent had instead net assets denominated in US dollars totalling USD 10,055 thousand; if the Euro/Dollar exchange rate as at 31 December 2016 had been 10% lower, foreign currency gains of Euro 956 thousand would have been recorded, while if the exchange rate had been 10% higher, a foreign currency loss of Euro 956 thousand would have been recorded.

Interest-rate risk

The interest rate fluctuations influence the cash flows, the market value of the Company's financial assets and liabilities, and the level of the net financial income/expenses.
The Group's loans are at floating rates, in particular the Euribor plus a variable spread from 2.5% as regards Mondo TV France S.A. and up to Euribor +7% for some of the Parent's marginal lines.
In consideration of the low financial exposure, the Group companies are marginally subject to interest rate risk.

Risks associated with dependency on key managers

Some members of the Corradi family and some managers of the subsidiaries have strategic importance for the Group. The possible lack of their professional contribution could undermine the competitiveness of the Mondo TV Group and have negative repercussions on the economic, capital and financial situation.
In particular, some members of the Corradi family have a significant role in the management of the business of the company Mondo TV S.p.A. and in the development of its products.
Neither the members of the Corradi family nor other managers of the subsidiaries have entered into sole-agency or non-compete agreements with the Group's companies.

Risks associated with litigation

The Parent is currently involved in two legal disputes, while the subsidiaries are not involved in any dispute:

- dispute with Clan Celentano S.r.l., which convened Mondo TV S.p.A. before the Court of Milan on 15 May 2012 for alleged breaches and the termination of a contract entered into between the parties for the production of an animated TV series with the tentative name of "Adrian". On 16 April 2013, the expert witness (CTU) was appointed, whose technical report was filed at the end of 2013; the outcome is substantially unfavourable with regard to the claim for compensation formulated by Mondo TV. At the hearing on 13 May 2014, Clan Celentano S.r.l. reported to have found an agreement with Sky Italia, on which the series was to air, in order to interrupt the contract between Sky Italia and Clan Celentano S.r.l., and requested to produce copy of said agreement.

  Mondo TV opposed and the Court reserved a decision adjourning the proceedings to the hearing of 11 November 2014.
  At that hearing, the Judge admitted the filing of the transaction and adjourned the proceedings for final judgement to 16 February 2016. Said hearing was adjourned until 19 July 2016.
  At the hearing on 19 July 2016, both parties specified their respective conclusions and the case was held in decision.

  The negative results of the office technical consultant do not allow at the time formulating a positive forecast on the request for compensation made by Mondo TV S.p.A., while the possibility that Mondo TV may be forced to a disbursement by way of damages is today judged by the Directors as possible.

  Regarding the extent of such damages, the actual extent of the compensation to which the Company may be subject cannot be quantified at the moment.

- dispute with Pegasus Distribuzione S.r.l., which requested the condemnation of the Company, to pay a total amount of Euro 463 thousand for reimbursement of costs incurred for the purchase of products in relation to two sale contracts, and reimbursement of the missed quantifiable gain from a minimum of Euro 101 thousand to a maximum of Euro 169 thousand, in addition to damage to image. With the first-instance ruling on 21 January 2010, the Court of Rome rejected the petition of Pegasus Distribuzione, which challenged the aforementioned ruling. The proceedings were adjourned to 23 April 2014: no one appeared at said hearing and the proceedings were further adjourned to 23 November 2016, when the case was held in decision. At present, the risk of losing is believed to be remote.

For additional information on pending litigation, reference should be made to the specific paragraph in the notes to the consolidated and separate financial statements as at 31 December 2016.

Risks associated with the Group companies' tax position

In the year 2014, the Parent was subject to a tax audit on the year 2010 conducted by the Tax Police Squad of the Guardia di Finanza of Rome at the conclusion of which on 31 July 2014, it was notified the final Notice of Assessment.
The formal notice of assessment highlighted several findings among which we note, by size, the alleged requalification, from a fiscal point of view, of the shareholder loans granted in 2010 and subsequent years: precisely the examination of this accounting item prompted the verifier unit to extend the tax audit also to the following years (2011 and 2012), limited to said item.

In relation to 2010, the Company received two assessment notices on 9 October 2015:

- The first notice refers to IRES for 2010. The higher tax ascertained amounted to Euro 1.1 million plus interest and penalties of the same amount and refers, at least in the main notice, to the non-declaration of positive elements for about Euro 4 million.
  The Company, while not agreeing in any way with the findings submitted, presented on 25 November 2015 application for tax settlement only to reset the amount due by separating the tax losses of the year 2005 that can no longer be carried forward. On 18 February 2016, the act of adhesion was signed at the offices of the Revenue Agency of Rome 1, by means of which the assessment was defined, which therefore closed without any charge for Mondo TV S.p.A.

- The second notice of assessment refers to IRAP and VAT for the year 2010. The higher IRAP ascertained is equal to Euro 0.2 million plus interest, while the higher VAT ascertained is equal to approximately Euro 0.8 million plus interest. The penalties amount to approximately Euro 1.2 million.
  The Company filed an appeal against the notice of assessment on 2 December 2015, filing at the Provincial Tax Commission of Rome on 23 December 2015 contesting both for IRAP purposes the main finding consisting in the non-declaration of positive components for about Euro 4 million and for VAT purposes the non-declaration, invoicing and recording of taxable transactions for about Euro 4 million.

In relation to the year 2011, on 20 December 2016, the Revenue Agency notified assessment notices to the Parent Company:

- The first notice refers to VAT and IRAP; the higher VAT ascertained amounts to Euro 536 thousand plus interest, while the penalties amount to Euro 603 thousand; no higher was IRAP ascertained.
  On 16 February 2017, the Company filed an appeal against the notice of assessment notified to the Revenue Agency. The first hearing at the Provincial Tax Commission is scheduled for 26 April 2017.

- The second notice refers to IRES for 2011; the higher IRES ascertained amounts to Euro 724 thousand plus interest, while the penalties amount to Euro 651 thousand.
  For this second notice, the Company submitted a request for recalculation for deduction of losses and reduction of sanctions.

In consideration of the lack of any basis in the judgement of the findings contained in the Formal Notice of Assessment (PVC) of the Guardia di Finanza as reported slavishly by the Revenue Agency in the consequent Notices of Assessment notified, the Directors also comforted by the judgement of specially appointed consultants deem scarcely likely that the Company may succumb in this dispute, the residual value of around Euro 4.7 million and therefore, consistent with the assessments made in the annual financial report as at 31 December 2015, no provision was made in the financial report as at 31 December 2016.

HUMAN RESOURCES AND RESEARCH AND DEVELOPMENT ACTIVITIES

As at 31 December 2016, the Group had 36 employees, of which 4 executives, 32 white-collar workers and middle managers, compared with 31 employees as at 31 December 2015. The breakdown of employees by company is as follows: Mondo TV S.p.A. 24 employees, Mondo TV France S.A. 4 employees, Mondo TV Suisse S.A. 2 employees, Mondo TV Iberoamerica S.A. 2 employees and Mondo TV Producciones Canarias S.L.U. 4 employees.

The Group has a moderate turnover rate; no serious work accidents occurred and no charges for occupational illness or mobbing were reported in any company of the Group during the year.

The Group conducts research and development activities for the purpose of launching new products, selecting and developing stories and characters also by means of tests carried out in partnership with childhood sociologists.

TREASURY SHARES

The Parent does not hold treasury shares, either directly or through subsidiaries, trust companies or nominees.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

To date, there have been no events after 31 December 2016 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the financial statements.

In March 2017, the subsidiary Mondo TV Iberoamerica signed with Alianzas Produciones a contract for the second and third season of the live fiction *"Heidi"*, which, with a total investment of USD 8 million, is one of the most important assets for the Group as well as one of the most important growth drivers for the coming years.

On 10 March 2017, the second and third bonds tranches were issued under the contract concluded between Mondo TV S.p.A. and Atlas.
The second tranche relates to 12 Bonds, for a total value of Euro 3 million while the third tranche relates to 18 bonds for a total value of Euro 4.5 million; these resources will allow accelerating the business plan and will be used to finance the further growth of the Mondo TV Group over the next few years.

RELATED PARTY AND INTRAGROUP TRANSACTIONS

RELATED PARTIES OF THE GROUP

The Mondo TV Group engages in significant transactions with related parties, the complete list of which is reported in Annex 5.
These transactions are at arm's length and substantially have three different origins:
- payment of consideration for service rendered;
- payments for leases and other services;
- sundry transactions with shareholders.

The table below shows the costs and financial payables associated with the above-mentioned transactions.

(in thousands of Euro)	**Receivables as at 31/12/2016**	**2016 Costs**	**Payables as at 31/12/2016**	**Nature of the transactions**

Remuneration of Directors and executives				
Orlando Corradi	149	80	0	Chair of the Board of Directors
Matteo Corradi	158	200	0	CEO and Investor Relator
Monica Corradi	0	83	0	Director
Francesco Figliuzzi	0	3	0	Independent Director
Marina Martinelli	0	13	13	Independent Director
Carlo Marchetti*	0	121	12	Director and Head of Corporate Financial Reporting
Totals	**307**	**500**	**25**	
Real-estate and service companies				
Trilateral Land S.r.l.	0	392	253	Office leasing
Totals	**307**	**892**	**278**	

* Of which Euro 97 thousand as executive compensation, Euro 12 thousand as a Director of Mondo TV, Euro 10 thousand as a Director of Mondo TV France and 2 thousand as Director of Mondo TV Toys.

The information relating to intra-group transactions have been provided in compliance with the provisions of CONSOB Regulation concerning related parties approved with resolution no. 17221 of 12 March 2010, subsequently amended by resolution no. 17389 of 23 June 2010. For further details, reference is made to the explanatory notes.

INTRAGROUP TRANSACTIONS AT GROUP LEVEL

As for the transactions between the Parent and the other companies of the Mondo TV Group, and also those between the latter without the involvement of the Parent, first it should be noted that the operations of the various companies tend to be integrated, as in this industry companies belonging to the same Media Group typically pursue common policies in terms of production, acquisition, and exploitation of rights. These groups, indeed, tend to structure themselves into separate entities specialised in the exploitation of different rights, and, at the same time, they attempt to pursue common strategies for the procurement and marketing of rights, in order to exploit the synergies and greater contractual strength deriving from acting in concert.

All transactions between the various Group companies were at arm's length, and involved Governance procedures specific for the relevant implementing decision.

Based on the provisions of the Consob Regulation of 12 March 2010, no. 17221, the Board of Directors of Mondo TV S.p.A., following the favourable opinion of the Independent Committee, has adopted a regulation on transactions with related parties. It entered into force on 1 December 2010.

The main transactions which became effective during 2016 are described below (eliminated in the consolidated financial statements):

Mondo TV France
In 2016, the subsidiary re-invoiced the costs incurred by Mondo TV S.p.A. for a total amount of Euro 113 thousand.
Moreover, the subsidiary distributed dividends on the profit for the year 2015 for an amount of competence of Mondo TV S.p.A. of Euro 51 thousand.

Mondo TV Iberoamerica
During the year, Mondo TV S.p.A. granted to the subsidiary an interest-bearing loan of Euro 2,625 thousand

for the production of the live fiction *"Heidi"* first season; this loan has a duration of three years and is remunerated at a rate of three months Euribor plus 3%; costs for a total amount of Euro 243 thousand were subsequently re-invoiced by the subsidiary to the Parent Company, in relation to the listing process.

Mondo TV Iberoamerica financed the start of operations of the subsidiary Mondo TV Canarias S.L.U. through the disbursement of a non-interest bearing loan for a total amount of Euro 107 thousand.

Mondo TV Canarias

During the year, Mondo TV S.p.A. stipulated a contract relating to Pre-production activities related to the animated series *"Invention Story"* and *"Rowly Powly"*; in relation to this contract, activities were carried out for the study of models and backgrounds for a total of Euro 180 thousand, which constitute an investment in the Library for Mondo TV S.p.A.

Transactions with Mondo TV Suisse

Mondo TV S.p.A. realizes the executive productions for contracts acquired by the subsidiary. Transactions are governed by a specific framework contract that basically envisages a production cost for Mondo TV Suisse of 85% of the amount paid by the final customer.

Transactions as at 31 December 2016:

Euro/000

Description	Receivables	Payables	Costs	Revenue
Financial statements as at 31 Dec.16	3,358	377	172	2,502

Transactions with Mondo TV Toys

Mondo TV S.p.A. supported the company financially in its first year of operations with non-interest bearing loans totalling Euro 134 thousand.

RELATED PARTIES OF THE PARENT

The Company engages in significant transactions with related parties, the complete list of which is reported in Annex 5. These transactions are at arm's length, are carried out to benefit the Company and substantially have three different origins:

- payment of consideration for service rendered;
- payments for leases and other services;
- sundry transactions with shareholders.

In detail:

- Orlando Corradi, Chairman of the Board of Directors;
- Other members of the Corradi family, such as Matteo Corradi, Chief Executive Officer and Investor Relator, Monica Corradi, Member of the Board of Directors;
- Trilateral Land S.r.l., a company directed by Matteo Corradi, the owner of the buildings located in Rome, Milan, and Guidonia used by the Mondo TV Group's companies.

The main transactions with the above related parties are as follows:

- Orlando Corradi, founder of the Company and Chairman of the Board of Directors;
- Matteo Corradi, the son of Orlando, provides managerial services as part of his job with Mondo TV;

- Monica Corradi, the daughter of Orlando, provides managerial services as part of her job with Mondo TV;
- the transactions with Trilateral Land S.r.l. refer to the payments for the lease of the buildings where the Company's operations are based to Trilateral Land S.r.l.

The table below shows the costs and financial payables of Mondo TV S.p.A. associated with the above-mentioned transactions:

Remuneration of Directors			
(in thousands of Euro)	**Receivables as at 31/12/2016**	**Payables as at 31/12/2016**	**2016 Costs**
Orlando Corradi	149	0	80
Monica Corradi	0	0	83
Matteo Corradi	158	0	66
Francesco Figliuzzi	0	0	3
Marina Martinelli	0	13	13
Carlo Marchetti*	0	12	109
Total for Directors	*307*	*25*	*354*
Other related parties			
(in thousands of Euro)	**Receivables**	**Payables**	**Costs**
Trilateral Land S.r.l.	0	253	392
TOTAL	**307**	**278**	**746**

* Of which Euro 97 thousand as executive compensation and Euro 12 thousand as Board Director.

INTRAGROUP TRANSACTIONS AT PARENT LEVEL

As for the transactions between the Parent and the other companies of the Mondo TV Group, and also those between the latter without the involvement of the Parent, first it should be noted that the operations of the various companies tend to be integrated, as in this industry companies belonging to the same Media Group typically pursue common policies in terms of production, acquisition, and exploitation of rights. These groups, indeed, tend to structure themselves into separate entities specialised in the exploitation of different rights, and, at the same time, they attempt to pursue common strategies for the procurement and marketing of rights, in order to exploit the synergies and greater contractual strength deriving from acting in concert.
All transactions between the various Mondo TV Group companies were at arm's length, and involved Governance procedures specific for the relevant implementing decision. The main transactions which became effective during 2016 are described below:

Transactions with Mondo TV France
In 2016, the subsidiary re-invoiced the costs incurred by Mondo TV S.p.A. for a total amount of Euro 113 thousand.
Moreover, the subsidiary distributed dividends on the profit for the year 2015 for an amount of competence of Mondo TV S.p.A. of Euro 51 thousand.

Transactions with Mondo TV Iberoamerica
During the year, Mondo TV S.p.A. granted to the subsidiary an interest-bearing loan of Euro 2,625 thousand for the production of the live fiction *"Heidi"* first season; this loan has a duration of three years and is remunerated at a rate of three months Euribor plus 3%; costs for a total amount of Euro 243 thousand were

subsequently re-invoiced by the subsidiary, in relation to the listing process.

Transactions with Mondo TV Canarias
During the year, Mondo TV S.p.A. stipulated a contract relating to Pre-production activities related to the animated series *"Invention Story"* and *"Rowly Powly"*; in relation to this contract, activities were carried out for the study of models and backgrounds for a total of Euro 180 thousand, which constitute an investment in the Library for Mondo TV S.p.A.

Transactions with Mondo TV Suisse
Mondo TV S.p.A. realizes the executive productions for contracts acquired by the subsidiary. Transactions are governed by a specific framework contract that basically envisages a production cost for Mondo TV Suisse of 85% of the amount paid by the final customer.

Transactions with Mondo TV Toys
Mondo TV S.p.A. supported the company financially in its first year of operations with non-interest bearing loans totalling Euro 134 thousand.

Transactions with direct and indirect subsidiaries

(in thousands of Euro)	Loans as at 31/12/2016	Trade receivables as at 31/12/2016	Payables as at 31/12/2016	2016 Costs	2016 Revenues
Mondo TV France	0	0	325	113	0
Mondo TV Suisse	0	3,358	377	172	2,502
Mondo TV Iberoamerica	2,625	115	0	243	0
Mondo TV Canarie	0	0	180	0	0
Mondo TV Toys	134	0	0	0	0
TOTAL	**2,759**	**3,473**	**882**	**528**	**2,502**

The table below shows total transactions with Directors, related parties and subsidiaries in 2016.

Transactions with Group companies and related parties

(in thousands of Euro)	Loans as at 31/12/2016	Trade receivables as at 31/12/2016	Payables as at 31/12/2016	2016 Costs	2016 Revenues
Transactions with Directors	0	308	26	355	0
Transactions with other related parties	0	0	253	392	0
Transactions with subsidiaries	2,759	3,473	882	528	2,502
Total	**2,759**	**3,781**	**1,161**	**1,275**	**2,502**

STATEMENT OF RECONCILIATION OF CONSOLIDATED EQUITY AND ECONOMIC RESULT WITH THE PARENT

The reconciliation of the Parent's equity as at 31 December 2016 to the Group's equity as at the same date is summarised in the table below:

(in thousands of Euro)	**Income Statement**	**Total equity**
Mondo TV S.p.A. statutory financial statements	**8,644**	**54,676**

Individual data of the subsidiaries	(218)	2,893
Eliminations of the carrying amount of net equity investments	192	(660)
Elimination of capitalized intra-group revenues and deferrals	(304)	(932)
Elimination of Mondo TV France dividends	(51)	0
Attribution of subsidiaries' equity to non-controlling interests	292	(564)
Consolidated financial statements	**8,555**	**55,412**

PROPOSAL FOR THE ALLOCATION OF PROFIT (LOSS) FOR THE YEAR

With reference to the profit for the year of Euro 8,643,857, it is proposed to allocate Euro 204,602 to unrealized foreign exchange gains reserve and to carry forward the remainder.
Rome, 29 March 2016

On behalf of the Board of Directors

Chief Executive Officer
Matteo Corradi

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES AS AT 31 DECEMBER 2016

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

Statement of financial position

(in thousands of Euro)	Notes	31 Dec. 16	31 Dec. 15
Non-current assets			
- Intangible rights	4	*31,353*	*16,116*
- Other intangible assets	4	*3*	*33*
Intangible assets	4	31,356	16,149
Property, plant and equipment	4	303	336
Equity investments		0	20
Deferred tax assets	5	5,027	8,054
Receivables	6	277	461
		36,963	**25,020**
Current assets			
Trade receivables	6	31,659	22,292
Tax assets	5	4,026	6,694
Other assets	7	296	353
Cash and cash equivalents	8	1,810	2,869
		37,791	**32,208**
Total assets		**74,754**	**57,228**
- Share capital		*14,361*	*13,212*
- Share premium		*21,214*	*12,563*
- Legal reserve		*2,642*	*2,642*
- Other reserves		*9,022*	*8,593*
- Retained earnings (accumulated losses)		*(383)*	*(1,007)*
- Profit (loss) for the year		*8,555*	*3,090*
Group shareholders' equity	9	55,411	39,093
Non-controlling interests		564	1,388
Total equity	9	**55,975**	**40,481**
Non-current liabilities			
Provision for post-employment benefits	10	416	346
Provisions for risks and charges	10	0	23
Deferred tax liabilities	5	223	141
Financial payables	11	580	217
		1,219	**727**
Current liabilities			
Provisions for risks and charges	10	79	717
Trade payables	11	11,703	10,881
Financial payables	11	2,095	2,853
Tax liabilities	5	201	73
Other liabilities	12	3,482	1,496
		17,560	**16,020**
Total liabilities		**18,779**	**16,747**
Total liabilities + equity		**74,754**	**57,228**

SEPARATE AND CONSOLIDATED INCOME STATEMENT 2016

Separate income statement			
(in thousands of Euro)	**Notes**	**2016**	**2015**
Revenue from sales and services	16	27,415	16,802
Other income	16	630	543
Capitalisation of internally produced animated series	17	1,200	1,574
Raw materials, consumables and goods	18	(103)	(96)
Personnel costs	19	(2,416)	(2,102)
Amortisation and impairment of intangible assets	20	(5,270)	(3,137)
Depreciation and impairment of property, plant and equipment	20	(109)	(133)
Allowance for doubtful debts	6	(1,308)	(442)
Other operating costs	21	(7,332)	(7,426)
EBIT		**12,707**	**5,583**
Finance income	22	725	457
Finance costs	22	(716)	(591)
Profit (loss) of the period before tax		**12,716**	**5,449**
Income tax expense	23	(4,453)	(2,170)
Net profit for the period		**8,263**	**3,279**
Profit (loss) for the year attributable to non-controlling interests		(292)	189
Profit (loss) attributable to owners of the Parent		**8,555**	**3,090**
Basic and diluted earnings (losses) per share		**0.31**	**0.12**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT 2016

(in thousands of Euro)	**2016**	**2015**
Profit (loss) for the year	**8,555**	**3,090**
Other items of the comprehensive income statement:		
Components that will not be subsequently reclassified in profit (loss) for the year: - Evaluation of defined-benefit plans - revaluation	-	5
Components that will or may be subsequently reclassified in profit (loss) for the year:	-	-
Total other components of the comprehensive income statement, net of tax effects:	-	5
Total profits (losses)	**8,555**	**3,095**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in Equity

(in thousands of Euro)	Share capital	Legal reserve	Retained losses	Share premium	Other reserves	Profit (loss) for the year	Attributable to owners of the Parent	Non-controlling interests	Total equity
Balance as at 31/12/2014	**13,212**	**2,642**	**(2,725)**	**13,599**	**1,709**	**1,718**	**30,155**	**984**	**31,139**
Transactions with shareholders recognised in equity:									
Distribution in kind Mondo TV Suisse shares	-	-	-	(15)	-	-	(15)	-	(15)
Dividends to third parties Mondo TV France								(61)	(61)
Items of the comprehensive income statement for the year:									
Shareholders' Meeting of 17 March 2015				(1,021)	**1,021**				
Allocation of profit (loss) for the year 2014	-	-	1,718		-	(1,718)	-	-	**-**
Disposal of shares of subsidiaries					5,853		5,853	278	6,131
Translation reserve Mondo TV Suisse					31		31		31
Other changes					(21)		(21)	(2)	(23)
Result for the period	-	-	-	-	-	3,090	3,090	189	3,279
Balance as at 31/12/2015	**13,212**	**2,642**	**(1,007)**	**12,563**	**8,593**	**3,090**	**39,093**	**1,388**	**40,481**
Transactions with shareholders recognised in equity:									
GEM capital increase	613	-	-	4,687	(676)	-	4,624	-	4,624
Atlas capital increase	536			3,964	(705)		3,795		3,795
Dividends to third parties			(849)			(1,106)	(1,955)	(78)	(2,033)
Items of the comprehensive income statement for the year:									
Allocation of profit (loss) for the year 2015	-	-	1,473		511	(1,984)	-	-	**-**
Disposal of shares of subsidiaries					1,296		1,296	(454)	842
Translation reserve Mondo TV Suisse					2		2		2
Other changes					1		1	-	1
Result for the period	-	-	-	-	-	8,555	8,555	(292)	8,263
Balance as at 31/12/2016	**14,361**	**2,642**	**(383)**	**21,214**	**9,022**	**8,555**	**55,411**	**564**	**55,975**

For further information on equity, reference should be made to note no. 9.

CONSOLIDATED STATEMENT OF CASH FLOWS 2016

Consolidated cash flow statement			
(in thousands of Euro)	**Notes**	**2016**	**2015**
A. CASH AND CASH EQUIVALENTS AT 1 JANUARY	**8**	**2,869**	**423**
Group profit (loss) of the period		8,555	3,090
Profit (loss) for the year attributable to non-controlling interests		(292)	189
Total profit (loss) of the period		8,263	3,279
Depreciation, amortisation and impairment		6,687	3,712
Net change in provisions		(591)	702
Cash flow from (used in) operating activities before changes in working capital		**14,359**	**7,693**
(Increase) decrease in trade receivables		(10,675)	(4,465)
(Increase) decrease in inventories		0	0
(Increase) decrease in tax assets		5,695	3,137
(Increase) decrease in other assets		57	(138)
Increase (decrease) in trade payables		822	689
Increase (decrease) in tax liabilities		210	100
Increase (decrease) in other liabilities		1,986	248
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES		**12,454**	**7,264**
(Acquisition) Disposal of			
- Intangible assets		(20,477)	(9,616)
- Property, plant and equipment		(76)	(186)
- Financial assets		20	34
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(20,533)**	**(9,768)**
Changes in capital		9,264	6,139
Dividends paid		(2,033)	(76)
(Increase) decrease in financial receivables and securities		184	(162)
Increase (decrease) in financial payables		(243)	(727)
Interest paid		(152)	(224)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES		**7,020**	**4,950**
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)		**(1,059)**	**2,446**
F. CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**8**	**1,810**	**2,869**

CONSOLIDATED FINANCIAL STATEMENTS PROVIDING RELATED PARTY DISCLOSURES

In compliance with Consob Resolution 15519 of 28 July 2006 "Provisions on financial statements", in addition to mandatory disclosure, separate income statement and statement of financial position have been provided with the significant transactions with related parties shown separately from the relevant item.

Consolidated statement of financial position

(in thousands of Euro)	31/12/2016	related parties	31 Dec. 15	related parties
Non-current assets				
- Intangible rights	*31,353*		*16,116*	
- Other intangible assets	*3*		*33*	
Intangible assets	31,356		16,149	
Property, plant and equipment	303		336	
Equity investments	0		20	
Deferred tax assets	5,027		8,054	
Receivables	277		461	
	36,963		**25,020**	
Current assets				
Trade receivables	31,659	307	22,292	171
Tax assets	4,026		6,694	
Other assets	296		353	
Cash and cash equivalents	1,810		2,869	
	37,791		**32,208**	
Total assets	**74,754**		**57,228**	
Non-current liabilities				
Provision for post-employment benefits	416		346	
Provisions for risks and charges	0		23	
Deferred tax liabilities	223		141	
Financial payables	580		217	
	1,219		**727**	
Current liabilities				
Provisions for risks and charges	79		717	
Trade payables	11,703	278	10,881	226
Financial payables	2,095		2,853	
Tax liabilities	201		73	
Other liabilities	3,482		1,496	
	17,560		**16,020**	
Total liabilities	**18,779**		**16,747**	
- Share capital	*14,361*		*13,212*	
- Share premium	*21,214*		*12,563*	
- Legal reserve	*2,642*		*2,642*	
- Other reserves	*9,022*		*8,593*	
- Retained earnings (accumulated losses)	*(383)*		*(1,007)*	
- Profit (loss) for the year	*8,555*		*3,090*	

Group shareholders' equity	55,411	39,093
Non-controlling interests	564	1,388
Total equity	**55,975**	**40,481**
Total liabilities + equity	**74,754**	**57,228**

Consolidated income statement

(in thousands of Euro)	**2016**	**of which with related parties**	**2015**	**of which with related parties**
Revenue from sales and services	27,415		16,802	
Other income	630		543	
Capitalisation of internally produced animated series	1,200		1,574	
Raw materials, consumables and goods	(103)		(96)	
Personnel costs	(2,416)	(96)	(2,102)	(96)
Amortisation and impairment of intangible assets	(5,270)		(3,137)	
Depreciation and impairment of property, plant and equipment	(109)		(133)	
Allowance for doubtful debts	(1,308)		(442)	
Other operating costs	(7,332)	(796)	(7,426)	(802)
EBIT	**12,707**		**5,583**	
Finance income	725		457	
Finance costs	(716)		(591)	
Profit (loss) of the period before tax	**12,716**		**5,449**	
Income tax expense	(4,453)		(2,170)	
Net profit for the period	**8,263**		**3,279**	
Profit (loss) for the year attributable to non-controlling interests	(292)		189	
Profit (loss) attributable to owners of the Parent	**8,555**		**3,090**	

Consolidated statement of cash flows with related parties

(in thousands of Euro)	**2016**	**related parties**	**2015**	**related parties**
A. CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,869		423	
Group profit (loss) of the period	8,555	-	3,090	-
Profit (loss) for the year attributable to non-controlling interests	(292)	-	189	-
Total profit (loss) of the period	8,263	-	3,279	-
Depreciation, amortisation and impairment	6,687	-	3,712	-
Net change in provisions	(591)	-	702	-
Cash flow from (used in) operating activities before changes in working capital	14,359		7,693	
(Increase) decrease in trade receivables	(10,675)	(136)	(4,465)	(24)
(Increase) decrease in tax assets	5,695	-	3,137	-
(Increase) decrease in other assets	57	-	(138)	-
Increase (decrease) in trade payables	822	52	689	(41)
Increase (decrease) in tax liabilities	210	-	100	-
Increase (decrease) in other liabilities	1,986	-	248	-
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	12,454		7,264	
(Acquisition) Disposal of				
- Intangible assets	(20,477)	-	(9,616)	-
- Property, plant and equipment	(76)	-	(186)	-
- Financial assets	20	-	34	-
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(20,533)		(9,768)	
Changes in capital	9,264	-	6,139	-
Dividends paid	(2,033)		(76)	
(Increase) decrease in financial receivables and securities	184	-	(162)	-
Increase (decrease) in financial payables	(243)	-	(727)	-
Interest paid	(152)	-	(224)	-
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	7,020		4,950	
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(1,059)		2,446	
F. CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	1,810		2,869	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 FORM AND CONTENT

The Group is formed by the Parent Company Mondo TV S.p.A., a joint-stock company registered with the Office of the Register of Companies in Rome, listed on the Italian Stock Exchange (STAR segment), and the following companies subject to direct and/or indirect control:

- Mondo TV France S.A., based in Paris listed on the AIM Italy/Alternative Capital Market (hereinafter, “AIM Italy”) organised and managed by Borsa Italiana S.p.A.;
- Mondo TV Suisse S.A., based in Lugano, also listed on the AIM Italy/Alternative Capital Market;
- Mondo TV Iberoamerica S.A., based in Madrid, since December 2016, listed on the Mercato Alternativo Bursatil (MAB) on the Madrid stock exchange;
- Mondo TV Toys S.A., based in Lugano, incorporated in 2016;
- Mondo TV Producciones Canarias S.L.U., based in Tenerife, also incorporated in 2016.

At the close of the Stock Market of 29 March 2017, the price of the Parent Company’s shares stood at Euro 4.38, equivalent to a capitalization of Euro 126 million. The stock value has remained substantially stable in the last 12 months.

These financial statements were approved by the Board of Directors’ meeting of 29 March 2017 which authorised their publication on that same date and convened the Shareholders’ Meeting for relevant approval on 29 April 2017 (single call). The financial statements are subject to audit by BDO Italia S.p.A.

The consolidated financial statements (the “financial statements”) of the Mondo TV Group (hereafter also the “Group”) have been prepared on a going concern basis, as the Directors of the Parent have verified that no significant financial, operating or other indicators of issues concerning the Group’s ability to meet its obligations in the foreseeable future, and in particular within the 12 months from the end of the reporting period, exist. How the Company manages financial risks, including liquidity risk and capital risk, is described in the paragraph “Financial Risk Management”.

The main activities of the Group’s companies and subsidiaries are described in the Report on Operations. Amounts included in these financial statements are denominated in Euro being the currency in which most of the Mondo TV Group’s transactions are made. Operations abroad are included in these financial statements in compliance with the standards indicated in the following notes. All the amounts included in these financial statements are expressed in thousands of Euro, unless otherwise indicated.

In compliance with Regulation (EC) no. 1606/2002 of 19 July 2002 and Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements of the Mondo TV Group as at 31 December 2016 have been prepared in accordance with International Accounting Standards IAS/IFRS (hereinafter IFRS) approved by the European Commission pursuant to Regulation (EC) no. 1606/2002, integrated by the relative interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standards Board (IASB) and in force at year-end.

The consolidated financial statements consist of the consolidated separate income statement, the consolidated comprehensive income statement, the consolidated statement of financial position, the consolidated cash flow statement, statement of changes in consolidated shareholders’ equity and the related notes.

They are consistent with the company accounts, which fully reflects the transactions carried out in the year, and comply with the applicable accounting standards. Specifically, they are prepared:

- on an accrual basis: events and transactions are recognised when they occur regardless of when the related receipts and payments take place;

- on a going concern basis: the continuity of operations is assumed to be maintained in the next twelve months;
- based on the substance over form principle: when operating events are recognised in the statements, priority is given to the principle of substance over form.

The asset and liability items were measured by applying, wherever necessary, assumptions based on reliable items, past experience, and information available at the date of preparation of these financial statements.

The accounting standards and policies applied to these financial statements are consistent with those used in preparing the financial statements as at 31 December 2015. As from 1 January 2016, certain amendments were applied to international accounting standards. The main amendments are shown in the next paragraph "Recently issued accounting standards".

In preparing these financial statements the cost method was applied, except for the derivative instruments and some financial assets for which IAS 39 requires or, limited to financial assets, allows measurement at fair value.

The consolidated statement of financial position, separate income statement, comprehensive income statement, statement of cash flows and statement of changes in equity show the Group's results compared to those belonging to the year ended 31 December 2015.

FORMAT OF FINANCIAL STATEMENTS

As regards the format adopted for 2013, the Company has resolved to present the following types of financial statements.

Consolidated Statement of Financial Position
The statement of financial position as at 31 December 2016 is presented in opposite sections, keeping separate Assets, Liabilities and Equity. In addition, the asset and liability items are classified as current and non-current.

Consolidated Separate Income Statement
Items in the income statement for the year 2016 are classified by nature.

Consolidated Comprehensive Income Statement
The comprehensive income statement is presented as a separate statement with respect to the consolidated separate income statement as allowed by IAS 1 Revised.

Consolidated Cash Flow Statement
The cash flow statement was prepared using the indirect method.

Consolidated Statement of Changes in Shareholders' Equity
The statement of changes in equity was prepared in compliance with IAS 1 Revised.

2 CONSOLIDATION

(a) Scope of consolidation

The Mondo TV Group's consolidated financial statements as at 31 December 2016 include the financial statements of the Parent Mondo TV S.p.A. and the financial statements of all its subsidiaries.

For the preparation of the consolidated financial statements as at 31 December 2016, use has been made of the financial statements as at 31 December 2016 of the consolidated companies approved by the respective Boards of Directors. The consolidated income statements, balance sheet and financial reports prepared by the subsidiaries were adjusted, where necessary, by the Directors of the Parent to make them adherent to IFRS.

Annex no. 4 of these explanatory notes lists the companies included in the scope of consolidation; all companies are consolidated on a line-by-line basis.

(b) subsidiaries

subsidiaries are all the companies (including "special purpose entities") in relation to which the Group has the power to govern the financial and operating policies so as to obtain benefits.
Generally, control exists when the Group, directly or indirectly, holds more than half of the voting rights, also taking into account the potential voting rights that are currently exercisable or convertible, or when there is de facto control over the shareholders' meeting.
The subsidiaries are consolidated starting from the date when the Group acquires control. They will be deconsolidated on the date when such control is lost.

Business combinations are accounted for by applying the acquisition method in which the buyer records the assets and liabilities of the acquired entity at their fair value at the acquisition date.
The cost is based on the fair value at the acquisition date, of the assets acquired, the liabilities assumed and any equity instruments issued by the subsidiary and on all other ancillary expenses. The fair value is also applied in the valuation of assets/liabilities purchased pertaining to third parties. Any difference between the cost and fair value of the operation at the acquisition date of the net assets and liabilities acquired is allocated to goodwill on a residual basis and is subject to impairment tests as follows. If the acquisition price allocation process results in a negative differential, it is recognized immediately in the income statement at the acquisition date. In the case of the purchase of non-totalitarian controlling interests, goodwill is recognized only for the portion attributable to the Parent. The values resulting from transactions between consolidated companies have been eliminated, in particular related to receivables and payables at the end of the period, the costs and revenues as well as other expenses and income recorded in the income statements of the same. The gains and losses realized between consolidated companies have also been eliminated, with the related tax adjustments. Gains and losses from transactions with minority third parties are recognized, when significant, in the income statement according to the approach envisaged by the parent theory for such operations. Mergers between Group companies are recognized in continuity of values with the consolidated figures of the previous year.

(c) Equity investments in other companies

Investments in other companies are equity investments where the amount of the shares or units held do not allow exercising either dominant or significant influence over the management of the Company, but which however represent a lasting investment by choice of the economic entity. This type of investment is not included in the consolidation and is included among the financial assets available for sale.

(d) Change in the scope of consolidation

Compared to 31 December 2015, there was a change in the scope of consolidation for the inclusion of Mondo TV Canarias S.L.U. and Mondo TV Toys S.A., both incorporated during the year; there was also a change in the percentages of investment in Mondo TV France, Mondo TV Iberoamerica and Mondo TV Suisse, already subsidiaries and fully consolidated in the previous year.

(e) Translation of accounting data of the companies denominated in currencies other than the functional currency

The balance sheet as at 31 December 2016 of the foreign subsidiaries Mondo TV Suisse S.A. and Mondo TV Toys S.A. has been converted at the Euro/Swiss Franc exchange rate at year-end; the income statement, instead, was converted at the annual average exchange rate. The exchange difference emerging from the conversion was recognized in "Other reserves" for the portion attributable to the Group and in "Non-controlling interests" for the portion attributable to third parties.

3 ACCOUNTING POLICIES AND MEASUREMENT BASES

The most significant measurement bases adopted for drafting the consolidated financial statements are detailed below.

Intangible rights and other intangible assets

Intangible assets are identifiable non-monetary items without physical substance, and a resource that is controlled by the entity and from which future economic benefits are expected. These items are recognised at the acquisition and/or production cost, including all directly attributable costs of preparing the asset for its intended use, net of cumulative amortisation and any impairment losses. Any interest payable accrued during and for the development of intangible assets is considered part of the acquisition cost.

If availability of and payment for an intangible asset acquired are deferred beyond normal terms, the purchase price and the corresponding payable are discounted by recognising the finance costs implicit in the original price.
Rights on films and animated series, that make up the Companies' "Library", are amortised, as of 2016 on a straight-line basis over 7 years, to implement the amendments to IAS 38 that no longer make an amortisation method based on revenues possible (until the previous year, said assets were amortised under the individual-film-forecast-computation method, based on the percentage ratio, determined on the date of preparation of the financial statements for each title in the "Library", under revenues earned on the reference date, and the total expected revenue based on the sales plan drafted by the Directors over 10 years from the title's release date).
The costs incurred for the production of intangible assets in currencies other than the Euro are translated based on the exchange rate applicable on the date of the transaction.
In compliance with IAS 36, considering their significant amount and intangible nature, these costs are tested for impairment annually or more frequently if there is an indication of impairment, in order to assess if the recoverable value is at least equal to the carrying amount.

Other intangible assets have an estimated 5-year useful life.

Property, plant and equipment

Property, plant and equipment are accounted for at the acquisition or production cost, net of accumulated depreciation and any impairment losses. The cost of property, plant and equipment also includes any directly attributable costs of preparing the asset for its intended use, as well as any cost for destruction and removal incurred in compliance with contractual obligations of restoring the asset to its original conditions.
The finance costs directly attributable to the acquisition, creation, or production of an asset are capitalised on the asset as part of its cost. The costs incurred for repair and maintenance are recognised in profit or loss as incurred. The capitalisation of costs relating to the expansion, modernisation, or improvement of facilities, whether owned or used by third parties, is possible if they satisfy the requirements for separate classification as an asset or part of an asset.
They are depreciated on a straight-line basis each year at specific depreciation rates based on the future economic benefits expected by the Company.
The rates adopted for the industrial equipment cover a period of 5 years.
Other assets include furniture, fittings and electronic equipment with a 5-to-7-year useful life.

Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment that are not fully amortised/depreciated are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists, the asset's recoverable amount is estimated. Any impairment loss with respect to the carrying amount is recognised in profit or loss. The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use (i.e. the present value of future cash flows expected to be derived from the asset). If an asset that does not generate largely independent cash flows, the realisable value is determined based on the cash generating unit to which the asset belongs. In order to determine the value in use, the expected future cash flows are discounted based on a discount rate that reflects the current market value of the cost of money, in relation to the investment period and asset's specific risks. An impairment loss is recognised in profit or loss when the carrying amount of the asset is greater than the recoverable amount. If the reasons for the previously recognised impairment no longer exist, the impairment is reversed and the carrying amount that the asset would have had if the impairment had not been made and if depreciation and amortisation had been performed is recognised in profit or loss.

Trade and other receivables

The fair value of trade receivables does not diverge from the carrying amounts as at 31 December 2016 since it mainly refers to assets underlying commercial dealings which are expected to be settled in the short term.
The trade and other receivables are included among current assets, except for receivables due after 12 months from the reporting date, which are classified under non-current assets.
Impairment losses on receivables are recorded when there is objective evidence that the companies will not be able to recover the receivable due from the counterparty based on the contract obligations. The objective evidence includes events such as:

a) significant financial difficulty of the obligor;
b) litigation against the obligor in relation to receivables;
c) likelihood that the borrower will declare bankruptcy or other financial reorganisation.

The impairment is measured as the difference between the asset's carrying amount and the present value of the future cash flows and is recorded in the separate income statement under the item "Other operating costs". If the reasons for the previously recognised impairment no longer exist in subsequent periods, the impairment loss is reversed to the extent of the amount measured at amortised cost.
Impairments, which are based on the most recent information available and on the Directors' best estimates, are performed in such a way that assets subject to impairment are reduced as to be equal to the discounted value of cash flows expected in the future. The allowance for doubtful debts is classified as a deduction from "Trade receivables".
Allocations to the allowance for doubtful debts are classified in the income statement under the item "Allowance for doubtful debts". The same classification applies to any use thereof and to impairment of trade receivables.

Financial assets

Investments in other companies are measured at fair value or, if the development plans of their assets are not available, at cost adjusted for impairment, if any.
During the year, no impairment indicators were identified and for this reason, no impairment test was carried out.
Therefore, based on the information held by the Group, in this case there are no indications that the cost deviates significantly from their fair value

Cash and cash equivalents

They include cash, bank and postal deposits, which have the requirements of availability on demand, successful outcome and the absence of expenses for collection. "Cash and cash equivalents" are recorded at fair value.

Trade payables

The fair value of trade payables, recorded under the "current" items of the statement of financial position and measured using the amortised cost method, does not diverge from the carrying amounts as at 31 December 2016 since it mainly refers to assets underlying commercial dealings which are expected to be settled in the short term.

Payables due to banks and other lenders

Payables due to banks and other lenders are initially recognised at fair value, net of direct ancillary costs. Borrowings are classified under current liabilities, except for those amounts falling due after 12 months from the reporting date and those for which the companies have an unconditional right to defer their payment for at least 12 months from the reporting date.

Tax assets and liabilities

“Tax assets” and “Tax liabilities” include all those assets and liabilities due from/to Tax Authorities, associated with direct taxes only, that can be collected or offset in the short-term. Tax liabilities arising from indirect taxes are classified under the item “Other liabilities”.

Provisions for risks and charges

Allocations to the provisions are recognised when: (i) a present, legal or implicit, obligation deriving from a past event exists; (ii) it is probable that the fulfilment of the obligation will result in a future cash disbursement; (iii) the amount of obligation can be reliably estimated. Allocations are recorded at the value representing the best estimate of the amount the Company would pay to fulfil the obligation or transfer it to third parties. The provisions are periodically updated to reflect the changes of the cost estimates, time, and discount rate; adjustments to provision estimates are classified under the same income statement item under which the previous allocation was classified or, when the liability relates to assets, they are recognised as an increase or decrease in the carrying amount of the related asset.
The notes to these financial statements provide information on contingent liabilities represented by: (i) possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events that are not fully under the Company’s control; (ii) present obligations deriving from past events, the amount of which may not be reliably estimated or the fulfilment of which most likely does not involve any consideration.

Post-employment benefits

The liabilities related to defined benefit plans (such as post-employment benefits) are calculated net of any assets servicing the plan on the basis of actuarial assumptions and on an accruals basis in line with the work service necessary to obtain the benefits; the liability valuation is verified by independent actuaries. The methodology applied for the determination of these benefits is defined as “credit unit projection method” with recognition of the present value of obligations to employees arising from actuarial calculations. The value of the liability recognized in the financial statements is, therefore, aligned with that resulting from the actuarial valuation of the same with full and prompt recognition of the actuarial gains and losses in the period in which they occur in the overall income statement through a specific equity reserve. In the calculation of liabilities, account is taken of regulatory amendments in accordance with Law 27 December 2006 no. 296 (2007 Finance Act) and subsequent Decrees and Regulations issued in 2007, which introduced, as part of the social security system reform, significant changes to the allocation of accruing portions of the severance pay provision (TFR).

Recognition of revenue and income

Revenue from sales and services is recognised when the actual transfer of the relevant risks and benefits of ownership or arising from the rendering of services take place. In the case of rights, the risks and benefits are understood to be transferred upon delivery of media, in light of the contractual provisions.
Revenues related to production are recorded upon achievement of certain contractual phases and are generally dependent on the delivery of materials or the recognition of the state of progress on the part of the client.
Revenue is recorded net of returns, discounts, rebates, and premiums, as well of any directly related taxes.
Revenue is also recorded including royalties or other types of costs for the use of the rights in the cases in which the risks underlying the transfer (in particular counterparty risk, price risk, and credit risk) remain essentially incumbent upon the Company. For these reasons, recognised revenue from sales and services represents the gross amount invoiced to the end customers, and costs incurred to compensate the various principals are classified under the cost of production.

The interest income is recognised on an accrual basis, based on the loan amount and on the applicable effective interest rate, representing the rate that discounts the future cash collection estimated over the expected life of the financial asset to make it equal to the carrying amount of the asset.
Dividends are recognised when the shareholders are entitled to receive payment.

Lease transactions

Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.
Leased assets are recorded as Companies' assets at their fair value on the date of execution of the agreement, or, if lower, at present value of the minimum payments due for leases. The corresponding liability due to the lessor is recognised as a liability due to finance leases in the statement of financial position. Lease payments consist of principal and interest in order to achieve a constant interest rate on the residual liability. The finance costs are directly recognised in profit or loss, unless they are not attributable to specific assets.
For operating leases, lease payments are recorded on a straight-line basis over the lease term. Benefits received or to be received as incentive to enter into operating lease agreements are also recorded on a straight-line basis over the lease term.

Foreign exchange transactions

In preparing the financial statements of the individual entities, the transactions in currencies other than Euro are initially recognised at the exchange rates applicable on the dates they occurred. On the reporting date, the monetary assets and liabilities denominated in currencies are expressed at the exchange rates applicable on that date. The exchange differences arising from the adjustment of the monetary items to the exchange rates applicable at the end of the year are recognised in profit or loss.

Taxes

The tax expense of the Group is given by current and deferred taxes. If referring to items recognized in the income and expenses recognized in equity in the comprehensive income statement, said taxes are recognized with a balancing under the same item.
Current taxes are calculated based on the tax regulations applicable in the countries in which the Group operates and in force at the reporting date; possible risks related to different interpretations of positive or negative income components, as well as disputes with the tax authorities, are valued at least quarterly in order to adjust the allocations recognized in the financial statements.
Deferred taxes are calculated based on temporary differences arising between the carrying amount of assets and liabilities and their value for tax purposes as well as on tax losses. The valuation of deferred tax assets and liabilities are calculated by applying the tax rate expected in force at the time when the temporary differences reverse; said forecast is made on the basis of current tax law or substantially in force at the reference date of the period. Deferred tax assets, including those arising from tax losses, are recognized to the extent in which, based on the business plans approved by the Directors, the existence is probable of a future taxable income against which said assets can be used.

Main assumptions used in relation to accounting standards

The preparation of the financial statements also requires the use of estimates and assumptions that may have a significant impact on the items recognised in the statement of financial position and income statement, as well as on disclosure relating to contingent assets and liabilities recognised in the financial statements. The formulation of these estimates involves using available information and subjective assessments also based on historical data, in order to make reasonable assumptions for the recognition of operating events. By their nature, the estimates and assumptions that are used may vary from one period to the next and therefore it is not to be excluded that in subsequent periods, the current figures of the financial statements may be significantly different, following changes in the subjective assessments applied thereto.
The estimates and assumptions are periodically reviewed and the effects of each change are immediately recognised in profit or loss.
The main assumptions used in relation to the accounting standards are as follows:

- estimate of the future sales plan of the Library for the purposes of verifying the presence of any impairment losses;
- estimate of the recoverability of the receivables;
- evaluation of pending litigation and the possible quantification of provisions for risks and charges;
- estimates and assumptions regarding recoverability of deferred tax assets.

Earnings (loss) per share

The basic earnings per share are calculated by dividing the share of profit (loss) attributable to the Company by the weighted average of the shares outstanding during the year.
The diluted earnings per share are calculated taking into account, both for the share of profit (loss) attributable to the Company and for above-mentioned weighted average, the effects associated with the total conversion/subscription of all the potential shares that could be issued by exercising any outstanding options and are determined as a ratio between the profit (loss) for the year and the average number of shares outstanding during the period.

RECENTLY ISSUED ACCOUNTING STANDARDS

In preparing these financial statements, the same accounting standards and preparation criteria adopted in preparing the financial statements as at 31 December 2015 have been applied, except as outlined below.

New standards and interpretations endorsed by the EU and in force from 1 January 2016

For completeness of information, the following are the amendments, interpretations and modifications, in force as of 1 January 2016:

- Amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets). On 2 December 2015, EU Regulation no. 2015/2231 was issued, which endorsed some amendments, limited in scope, to IAS 16 and IAS 38 at EU level. Both IAS 16 and IAS 38 envisage, as a principle basis for amortisation and depreciation, the expected consumption of the future economic benefits of an asset. The amendment clarifies that it is considered inappropriate to adopt a method of amortisation and depreciation based on revenues. Limited to intangible assets, this indication is considered a relative presumption that can be overcome only upon the occurrence of any of the following circumstances:

  (i) the right of use of an intangible asset is related to the achievement of a predetermined threshold of revenues to be produced;
  (ii) or when it can be shown that the achievement of revenues and the use of the asset's economic benefits are highly correlated.

  As indicated previously, as of 1 January 2016, the Group prospectively applied said amendments to the amortisation criteria of rights on films and animated series, that make up the Companies' "Library", amortising them on a straight-line basis over 7 years, while until the previous year, same assets were amortised under the individual-film-forecast-computation method, based on the percentage ratio, determined on the date of preparation of the financial statements for each title in the "Library", between revenue earned on the reference date, and the total expected revenue based on the sales plan drafted by the Directors over 10 years from the title's release date. The economic effect deriving from said amendments resulted in higher amortisation of Euro 600 thousand in 2016.

- Amendments to IFRS 11 - accounting of acquisitions of interests in joint operations. On 24 November 2015, EU Regulation no. 2015/2173 was issued, which endorsed some amendments, limited in scope, at EU level. IFRS 11 governs the accounting of investments in Joint Ventures and Joint Operations. The amendments in question add new guidelines on the method of accounting the acquisition of an investment in a Joint Operation that constitutes a business (as defined in IFRS 3 - Business Combinations). The amendments in question specify the appropriate accounting for said acquisitions.
  Said amendments had no impact on the consolidated financial statements of the Group.

- Improvements to IFRS (2012-2014 cycle) - On 15 December 2015, EU Regulation no. 2015/2343 was issued, which transposed at EU level a collection of improvements to IFRS for the period 2012-2014; with respect to said amendments, the following are noted:
  - IFRS 5 Non-current assets held for sale and discontinued operations: these amendments relate to changes in disposal methods (from the sales plan to the distribution plan to the shareholders and vice versa);
  - IFRS 7 Financial Instruments: Disclosures: these amendments relate to the disclosure on servicing contracts, in terms of continuing involvement and the applicability of the disclosure required by IFRS 7 concerning offsetting of financial assets and liabilities in the interim financial statements;
  - IAS 19 Employee Benefits: the amendment concerns the discount rate (with reference to the market area); IAS 34 Interim Financial Statements: the amendment clarifies that the information included in the interim financial statements may be supplemented by other available information also contained in other sections of the Interim Report (ex. Report on Operations) through the incorporation by reference technique.

  The adoption of said amendments had no impact on the consolidated financial statements of the Group as at 31 December 2016.

- Amendments to IAS 1 (Presentation of Financial Statements) - Initiatives on financial statement disclosures. On 18 December 2015, EU Regulation no. 2015/2406 was issued, which endorsed some amendments, limited in scope, to IAS 1 at EU level. In particular, the amendments, which are part of a broader initiative to improve the presentation and disclosure of financial statements, include updates in the following areas:
  - materiality: it is specified that the concept of materiality applies to the financial statements as a whole and that the inclusion of intangible information may affect the usefulness of financial information;
  - disaggregation and subtotals: it is clarified that the specific items of the separate income statement, comprehensive income statement and financial position can be disaggregated. Moreover, new requirements are introduced for the use of subtotals;
  - Notes structure: it is specified that the companies have a certain degree of flexibility regarding the order of presentation of the notes to the financial statements. In establishing said order, the Company must take into account the understandability and comparability of financial statements;
  - investments accounted for using the equity method: the portion of Other Comprehensive Income (OCI) relating to investments in associates and joint ventures accounted for using the equity method must be divided between the reclassifiable and non-reclassifiable part in the separate income statement.

  The adoption of said amendments had no impact on the consolidated financial statements of the Group as at 31 December 2016.

New standards and interpretations issued by the IASB and approved but not yet applicable

The following accounting standards, interpretations and amendments endorsed by the EU will instead be applicable from 1 January 2018.

- IFRS 15 (Revenues from contracts with customers). On 22 September 2016, EU Regulation no. 2016/1905 was issued, which endorsed the new standard and related amendments at EU level. The Clarifications to IFRS 15 issued by the IASB in April 2016 have not yet been implemented by the EU.
  IFRS 15 will replace the standards that currently govern revenue recognition, i.e. IAS 18 (Revenues), IAS 11 (Construction contracts), and related interpretations on revenue recognition (IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenues - Barter transactions including advertising services).
  In particular, IFRS 15 requires the recognition of revenues to be based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations (i.e. the contractual promises to transfer goods and/or services to a customer); (iii) determination of the

transaction price; (iv) allocation of the transaction price to the performance obligations identified based on the stand-alone sale price of each good or service; and (v) recognition of the revenue when the related performance obligation has been fulfilled.

IFRS 15 will apply retrospectively as of 1 January 2018, alternatively adopting one of the following methods:

- the "*complete retrospective method*", which involves redetermining all comparative periods presented in the financial statements;
- the "*simplified retrospective method"* with the recognition of the cumulative effect of the first application of the standard adjusting the opening equity for the year in which the standard is adopted. The values of all comparative periods presented in the financial statements remain unchanged.

The Group started an analysis to verify whether the application of the new standard may entail new ways of recognising its revenues and the potential economic and capital impacts deriving from the application of the new standard.

- IFRS 9 (Financial instruments). On 22 November 2016, EU Regulation no. 2016/2067 was issued, which implemented IFRS 9 *(Financial Instruments*) at EU level and which concerns the classification, measurement and derecognition of financial assets and liabilities, impairment of financial instruments and the accounting of hedging transactions. IFRS 9 must be applied as of 1 January 2018. The Group has not yet completed its analysis of the impacts arising from the application of the provisions of IFRS 9 regarding the classification and measurement of financial assets, impairment of financial instruments and hedge accounting even if it is currently believed that there are no significant impacts.

Accounting standards and interpretations issued by the IASB/IFRIC and not yet approved by the European Commission

- IFRS 16 (Leasing): in January 2016, the IASB issued IFRS 16 (Leasing). IFRS 16 replaces IAS 17 (Leasing) and related Interpretations (IFRIC 4 Determining whether an arrangement contains a lease; SIC 15 Operating leases - Incentives; SIC 27 Evaluating the substance of transactions in the legal form of a lease).
  IFRS 16 will apply retrospectively as of 1 January 2019, alternatively adopting one of the following methods:
  - the "*complete retrospective method*", which involves redetermining all comparative periods of the financial statements;
  - the "*simplified retrospective method*" with the recognition of the cumulative effect of the first application of the standard adjusting the opening equity for the year in which the standard is adopted, therefore without re-determining the comparative periods of the financial statements.

  IFRS 16, from the point of view of the lessee, requires for all passive lease contracts (without distinguishing between operating leases and financial leases), the recognition in the statement of financial position of a liability, represented by the present value of future fees, in the face of the recognition in the asset of the "right to use the leased asset". Lease contracts with durations of less than or equal to 12 months and leases of low value assets may be excluded from the application of IFRS 16.
  Earlier application is allowed, but only if IFRS 15 *Revenues from contracts with customers* is also adopted. IFRS 16 has not yet been implemented by the EU.

- Amendments to IFRS 10 and IAS 28: on 11 September 2014, the IAS issued some amendments to the two standards to determine how to recognise the economic effects mainly related to the loss of control of an investment due to its transfer to a related entity or a joint venture. On 17 December 2015, the IASB published the amendment that differs from the permanent entry into force of the amendments to IFRS 10 and IAS 28.

- Amendments to IAS 12: on 19 January 2016, the IASB issued the amendments to IAS 12 "*Recognition of Deferred Tax Assets for Unrealised Losses*", which provide clarifications regarding the recognition and measurement of deferred tax assets. The amendments to IAS 12 are effective for years beginning on or after 1 January 2017.

- Amendments to IAS 7: on 29 January 2016, the IASB issued the amendments to IAS 7 "*Disclosure Initiative*", which strengthens the disclosure obligations in the presence of monetary and non-monetary changes of financial liabilities. The amendments to IAS 7 are effective for years beginning on or after 1 January 2017.

- Amendments to IFRS 15: on 12 April 2016, the IASB issued the document "*Clarifications to IFRS 15 Revenue from Contracts with Customers*" (hereinafter amendments to IFRS 15) clarifying some aspects related to the implementation of the new accounting standard. The amendments to IFRS 15 are effective for years beginning on or after 1 January 2018.

- On 8 December 2016, the IASB issued IFRIC Interpretation 22 "*Foreign Currency Transactions and Advance Consideration*" (hereafter IFRIC 22), according to which the exchange rate to be used during initial recognition of an asset, cost or revenue related to an advance previously paid/collected in foreign currency, and the one in effect at the date of recognition of the non-monetary asset/liability associated with said advance. IFRIC 22 shall be effective for years beginning on or after 1 January 2018.

- On 8 December 2016, the IASB issued the document "*Annual Improvements to IFRS Standards 2014-2016 Cycle*", containing essentially technical and drafting amendments to international accounting standards. The amendments to the standards shall be effective for years beginning on or after 1 January 2018.

OPERATING SEGMENTS

No segment other than the animation segment can be considered as a reportable segment at this time, nor does management use additional reporting with the characteristics applied to "segments" as provided for by IFRS 8.
The table below provides, comparative for 2016 and for 2015, the breakdown of Group revenues by geographical area. The allocation of revenue to a specific geographical area solely on the basis of the purchaser's nationality. Thus, the geographical distribution of rights sold was not taken into account.

Distribution of revenue by geographical area

(in thousands of Euro)	2016		2015		Difference	
Geographical areas	**values**	**%**	**values**	**%**	**values**	**%**
Italy	2,695	10%	2,538	15%	157	6%
Europe	2,087	7%	4,185	24%	(2,098)	(50%)
Asia	22,465	80%	9,564	55%	12,901	135%
Americas	798	3%	942	5%	(144)	(15%)
Africa	0	0%	116	1%	(116)	(100%)
Total revenue	**28,045**	**100%**	**17,345**	**100%**	**10,700**	**62%**

The table below shows the breakdown of the Group's Library by geographical area:

Breakdown of the Library by geographical area

(in thousands of Euro)	2016	2015	Difference

Geographical areas	values	%	values	%	values	%
Italy	26,541	85%	14,617	91%	11,924	82%
France	719	2%	778	5%	(59)	(8%)
Spain	3,670	12%	606	4%	3,064	506%
Switzerland	422	1%	115	1%	307	267%
Total Library	**31,352**	**100%**	**16,116**	**100%**	**15,236**	**95%**

4 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The breakdown of changes in intangible rights and other intangible assets is shown in the table below.

Changes in intangible assets				
(in thousands of Euro)	**Intangible rights**	**Intangible rights in progress**	**Other intangible assets**	**TOTAL**
Cost as at 31 Dec. 14	145,501	1,989	1,201	148,691
Amortisation and impairment as at 31/12/2014	(137,855)		(1,166)	(139,021)
Net value as at 31/12/2014	**7,646**	**1,989**	**35**	**9,670**
Year 2015				
Increases in the period	7,324	2,280	12	9,616
Amortisation and impairment in the period	(3,123)		(14)	(3,137)
Reclassifications				
Cost as at 31 Dec. 15	152,825	4,269	1,213	158,307
Amortisation and impairment as at 31/12/2015	(140,978)		(1,180)	(142,158)
Net value as at 31/12/2015	**11,847**	**4,269**	**33**	**16,149**
Year 2016				
Increases in the period	12,330	8,138	9	20,477
Amortisation and impairment in the period	(5,231)		(39)	(5,270)
Reclassifications				
Cost as at 31 Dec. 16	165,155	12,407	1,222	178,784
Amortisation and impairment as at 31/12/2015	(146,209)		(1,219)	(147,428)
Net value as at 31/12/2016	**18,946**	**12,407**	**3**	**31,356**

All the costs recorded are reasonably related to the assets' useful life over the years and are amortised/depreciated on a straight-line basis in a period of 7 seven years. Amortisation starts as soon as the title is completed and feasible for commercial use. This measurement method is deemed to be more suitable to amortise film rights.

Impairment test on the Library
Once a year or during the drafting of the annual financial report if there is an indication of impairment, the management of the Mondo TV Group checks if the recoverable value is at least equal to the carrying amount, in compliance with IAS 36.

Also in 2016, the Group operated in an economic context of stagnation, both in Italy and in much of Europe. In particular, the animation business has been hard hit in these countries due to a contraction in the advertising market which has forced TV broadcasters to drastically reduce their investment budget; therefore

the purchase price of new licences tended to decrease and a considerably stricter purchase selection process was implemented that increasingly favours products with a licensing potential capable of attracting investments, including toy manufacturers, and companies operating in the licensing sector.
The Group has also demonstrated significant commercial strength in the countries that now have significant growth rates, such as the United Arab Emirates, China and Taiwan.

In addition, on 31 December 2016, the Directors of the Parent Mondo TV S.p.A. subjected intangible rights to impairment tests pursuant to IAS 36 in order to account for any additional impairment losses. The test was conducted by comparing the book value of the assets tested with the recoverable value, estimated in terms of value in use. In particular, the value in use was determined using the method of discounted cash flows, in the "unlevered" version. The cash flows used are those that are expected to be generated by the assets subject to analysis based on past experiences and expectations of developments in the markets in which the Company operates.
The resulting cash flows are discounted using a discounting rate (WACC) determined by applying the Capital Asset Pricing Model of 8.3%.

Consistently with the previous years, based on the Company's specific experience and the well-established practice in the sector, the cash flow has been calculated over a ten-year period (2017-2026) in light of the following aspects:

- the Company retains full ownership of most of the Library consisting of series for an unlimited period of time;
- the Company considers the period of economic life of rights to last for ten years (the Library's value becomes equals zero on the tenth year after the title's release).

The considerations mentioned above and the particular type of business of the Company and its subsidiaries, intrinsically characterised by the potential to benefit from a long-term exploitation of the licenses acquired, allow us to conclude that the ten-year period used to test the Library's carrying amount for impairment appears reasonable.

The impairment test did not reveal any significant impairment losses.

The breakdown of changes in property, plant and equipment is presented in the table below.

Changes in property, plant and equipment

(in thousands of Euro)	Plant and machinery	Industrial and commercial equipment	Other assets	TOTAL
Cost as at 31 Dec. 14	2,254	1,241	757	4,252
Amortisation and impairment as at 31/12/2014	(2,209)	(1,114)	(646)	(3,969)
Net value as at 31/12/2014	**45**	**127**	**111**	**283**
Year 2015				
Increases in the period	131	0	55	186
Disposals in the period				0
Amortisation and impairment in the period	(37)	(51)	(45)	(133)
Use of provisions in the period				
Cost as at 31 Dec. 15	2,385	1,241	812	4,438
Amortisation and impairment as at 31/12/2015	(2,246)	(1,165)	(691)	(4,102)
Net value as at 31/12/2015	**139**	**76**	**121**	**336**
Year 2016				
Increases in the period	5	0	71	76

Disposals in the period				0
Amortisation and impairment in the period	(32)	(30)	(47)	(109)
Use of provisions in the period				
Cost as at 31 Dec. 16	2,390	1,241	883	4,514
Amortisation and impairment as at 31/12/2016	(2,278)	(1,195)	(738)	(4,211)
Net value as at 31/12/2016	**112**	**46**	**145**	**303**

There are no restrictions on ownership and title of property, plant and equipment and intangible assets.

5 TAX ASSETS AND LIABILITIES

Deferred tax assets are recognised in financial statements to the extent they are likely to be recovered; in particular the recognition of deferred tax assets reflects the assessments made by the Board of Directors with regards to taxable income generated by Group operations in the near future so as to allow the recovery.

The deferred tax assets and liabilities recognised in the consolidated financial statements are shown in the table below.

Breakdown of deferred tax assets and liabilities			
(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Accumulated losses and other temporary differences	5,027	8,054	(3,027)
Total assets	**5,027**	**8,054**	**(3,027)**
Other temporary differences	(223)	(141)	(82)
Total liabilities	**(223)**	**(141)**	**(82)**
Net deferred tax assets	**4,804**	**7,913**	**(3,109)**

Changes in deferred tax assets and liabilities				
(in thousands of Euro)	**31/12/2015**	**Increases**	**Decreases**	**31/12/2016**
Assets	8,054	474	(3,501)	5,027
Liabilities	(141)	(82)	0	223
Net deferred tax assets	**7,913**	**392**	**(3,501)**	**4,804**

In 2016, deferred tax assets decreased by Euro 3,501 thousand for uses (mainly those allocated on previous tax losses and allowance for doubtful debts).
New deferred tax assets mainly arising from temporary differences amounting to Euro 474 thousand were recognised.

The recoverability of deferred tax assets recognised in the financial statements in the next ten years is strictly related to the actual achievement of the objectives set in the 2017-2021 Plan, approved by the Parent's Board of Directors on 27 October 2016, characterised by the uncertainties typical of a forecast Business Plan.

Breakdown of current tax assets and liabilities			
(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
IRES (Corporate Income Tax)	363	63	300

IRAP (Regional Business Tax)	338	189	149
Tax assets	3,325	6,442	(3,117)
Total tax assets	**4,026**	**6,694**	**(2,668)**
Income taxes due abroad	(201)	(73)	(128)
Total tax liabilities	**(201)**	**(73)**	**(128)**

Tax receivables attributable to the Parent, consist of receivables arising from the transformation of a portion of deferred tax assets in receivables in accordance with Law no. 214 of 22 December 2011. The decrease is attributable to the compensations in the year.

6 CURRENT AND NON-CURRENT RECEIVABLES

The breakdown of receivables is shown in the table below.

Breakdown of non-current financial receivables			
(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Financial receivables due from third parties	162	307	(145)
Other receivables	115	154	(39)
TOTAL	**277**	**461**	**(184)**

The breakdown of trade and other current receivables is shown in the table below.

Breakdown of trade and other receivables			
(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Due from customers for invoices issued	26,750	16,130	10,620
Due from customers for invoices to be issued	4,511	7,986	(3,475)
Due from tax authorities for tax other than income tax	1,233	323	910
Other receivables	2,691	3,760	(1,069)
Allowance for doubtful debts	(3,526)	(5,907)	2,381
TOTAL	**31,659**	**22,292**	**9,367**

The relevant increase in receivables, and in particular those for invoices issued, is due to that of revenues from sales.
Receivables due from customers for invoices to be issued refer to contracts which do not satisfy the conditions for issuing invoices yet, although part of the revenue for the year has been earned. Part of the invoices was issued in the early months of 2017.

Receivables due from tax revenue relating to tax other than income tax are broken down in the table below:

Breakdown of tax assets relating to tax other than income tax			
(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Italian VAT receivables	269	71	198
Foreign VAT receivables	0	0	0
Other tax assets	964	252	712
TOTAL	**1,233**	**323**	**910**

Receivables due from others can be broken down as follows:

Breakdown of receivables due from others			
(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Due from suppliers for advances	5	27	(22)
Due from employees	0	23	(23)
Coproduction in progress	1,612	2,957	(1,345)
Other receivables	1,074	753	321
TOTAL	**2,691**	**3,760**	**(1,069)**

Euro 1,612 thousand of receivables due from customers for coproductions in progress represent the disbursements made for the acquisition of services required to fulfil the obligations vis-à-vis the coproducers. Upon completion of production, these advances will offset revenue from customers for progress in productions (revenue totalled Euro 1,558 thousand on 31 December 2016 and is recognised under current payables).

The allowance for doubtful debts, recognised as a deduction from trade receivables and deemed to be adequate to cover the risk of bad debts showed the following changes during the year (in thousands of Euro):

Breakdown of the allowance for doubtful debts		
	31/12/2016	**31/12/2015**
Allowance for doubtful debts as at 1 January	**5,907**	**5,462**
Allowance for the period	1,308	458
Used in the year	(3,689)	(15)
Other changes	0	2
Allowance for doubtful debts as at 31 December	**3,526**	**5,907**

Allocations for the year, amounting to Euro 1,308 thousand, were recognised based on a thorough analysis of all outstanding receivables and represent the best estimate, which takes into account the information available as at the date of the preparation of these financial statements and the risk of customers non fulfilling their obligations. Uses in the period refer to allocations in previous years against credit positions which, on the basis of careful analysis, are no longer considered collectable or for which the related obligations are required.

7 OTHER ASSETS

The item under review, equal to Euro 296 thousand (Euro 353 thousand as at 31 December 2015), mainly includes costs pertaining to future years.

8 CASH AND CASH EQUIVALENTS

The item's breakdown is shown in the table below.

Breakdown of cash and cash equivalents			
Description	**31/12/2016**	**31/12/2015**	**change**
Bank and postal deposits	1,809	2,868	(1,059)
Cash and other cash assets	1	1	0

TOTAL	**1,810**	**2,869**	**(1,059)**

Cash and cash equivalents mainly consist of deposits held with banks.
The statement of the Group's consolidated net financial position is shown in the Report on Operations.

9 EQUITY

The share capital is composed as follows:

Description	**Number**	**Par value Euro**
Ordinary shares	28,722,463	0.5
TOTAL	**28,722,463**	**14,361,232**

The number of outstanding shares increased by 2,297,635 shares in the year due to the extraordinary finance transactions with GEM Global Yield Fund Limited LCS SCS and GEM Investments America LLC and Atlas Alpha Yield Fund and Atlas Capital Markets (see paragraph *"Significant events 2016").*

In particular, regarding the agreement with GEM, on 9 March 2016, the Parent Company sent the first subscription request related to the investment agreement; as a result of the first request, GEM subscribed 1,226,339 new shares in April for a total value of Euro 5,300 thousand attributable for Euro 613 thousand to share capital and the residual amount of Euro 4,687 thousand to Share premium reserve.

As for the agreement with Atlas, in September 2016 the Company requested the issue of the first Bond tranche for a total value of Euro 4,500 thousand; the first tranche was fully converted by 31 December 2016, with the consequent issue of 1,071,296 new shares for a total value of Euro 4,500 thousand attributable for Euro 536 thousand to share capital and the residual amount of Euro 3,964 thousand to Share premium reserve.

No shares having different categories, nor rights, privileges or restrictions exist for any category of shares. The Parent owns no treasury shares, nor do the Mondo TV Group's subsidiaries hold shares of the Parent.

Equity reserves are broken down as follows:

Equity reserves		
(in thousands of Euro)	**31/12/2016**	**31/12/2015**
- Share premium	21,214	12,563
- Legal reserve	2,642	2,642
- Other reserves	9,022	8,593
- Retained earnings (accumulated losses)	(383)	(1,007)
- Profit (loss) for the year	8,555	3,090
TOTAL	**41,050**	**25,881**

The increase in the share premium provision is attributable to the extraordinary finance transactions entered into with GEM and Atlas, while the increase in the item "Other reserves" is attributable to the sale in the year of minority portions mainly of Mondo TV Suisse and Mondo TV France; lastly, the decrease in the retained profits (losses) is due to the carry forward of 2015 profits.

Equity items are broken down according to origin, the potential for use, and availability for distribution:
- all of the share capital and legal reserve may only be used for covering losses;
- the entire amount of share premium may be used for capital increase, for covering losses, and may also

be distributed among the shareholders;
- no revaluation reserves exist;
- there are no reserves or other provisions, which, in case of distribution, do not contribute to form the corporate taxable income, regardless of the period of creation;
- there are no reserves or other provisions incorporated in the share capital;

10 POST-EMPLOYMENT BENEFITS AND PROVISIONS FOR RISKS AND CHARGES

The item is broken down as follows.

Post-employment benefits and Provisions for risks and charges			
(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Provision for post-employment benefits	**416**	**346**	**70**
Provision for tax risks and charges	77	32	45
Provision for returns on sales	0	23	(23)
Other provisions	2	685	(683)
PROVISION FOR RISKS AND CHARGES	**79**	**740**	**(661)**
beyond 12 months	0	23	(23)
within 12 months	79	717	(638)
TOTAL PROVISION FOR RISKS AND CHARGES	**79**	**740**	**(661)**

Changes in Post-employment benefits and Provisions for risks and charges				
(in thousands of Euro)	**31/12/2015**	**allocated**	**used**	**31/12/2016**
Provision for post-employment benefits	346	76	(6)	416
Provision for tax risks and charges	32	50	(5)	77
Provision for returns on sales	23		(23)	0
Other provisions	685	0	(683)	2
TOTAL	**1,086**	**126**	**(717)**	**495**
beyond 12 months	346			416
within 12 months	717			79
TOTAL	**1,086**			**495**

The decrease in other current risks provisions is determined by the closure of the provision made in 2015 in relation to the case Moviemax Shareholders, which was defined with a total cost for the Parent Mondo TV S.p.A. of Euro 683 thousand entirely paid in 2016.

As regards the risks related to ongoing disputes, not reflected among the Risks Provisions as the risk of an unfavourable outcome is not considered probable and/or the amount cannot be determined, the following is noted:

- dispute with Clan Celentano S.r.l., which convened Mondo TV S.p.A. before the Court of Milan on 15 May 2012 for alleged breaches and the termination of a contract entered into between the parties for the production of an animated TV series with the tentative name of *"Adrian"*. On 16 April 2013, the expert witness (CTU) was appointed, whose technical report was filed at the end of 2013; the outcome is substantially unfavourable with regard to the claim for compensation formulated by Mondo TV. At the hearing on 13 May 2014, Clan Celentano S.r.l. reported to have found an agreement with Sky Italia, on which the series was to air, in order to interrupt the contract between Sky Italia and Clan Celentano S.r.l., and requested to produce copy of said agreement.

Mondo TV opposed and the Court reserved a decision adjourning the proceedings to the hearing of 11 November 2014.
At that hearing, the Judge admitted the filing of the transaction and adjourned the proceedings for final judgement to 16 February 2016. Said hearing was adjourned until 19 July 2016.
At the hearing on 19 July 2016, both parties specified their respective conclusions and the case was held in decision.

The negative results of the office technical consultant do not allow at the time formulating a positive forecast on the request for compensation made by Mondo TV S.p.A., while the possibility that Mondo TV may be forced to a disbursement by way of damages is today judged by the Directors as possible.

Regarding the extent of such damages, the actual extent of the compensation to which the Company may be subject cannot be quantified at the moment.

- dispute with Pegasus Distribuzione S.r.l., which requested the condemnation of the Company, to pay a total amount of Euro 463 thousand for reimbursement of costs incurred for the purchase of products in relation to two sale contracts, and reimbursement of the missed quantifiable gain from a minimum of Euro 101 thousand to a maximum of Euro 169 thousand, in addition to damage to image. With the first-instance ruling on 21 January 2010, the Court of Rome rejected the petition of Pegasus Distribuzione, which challenged the aforementioned ruling. The proceedings were adjourned to 23 April 2014: no one appeared at said hearing and the proceedings were further adjourned to 23 November 2016, when the case was held in decision. At present, the risk of losing is believed to be remote.

11 CURRENT AND NON-CURRENT PAYABLES

The breakdown of the Group's payables, classified by type and by due date, is reported in the tables below.

Breakdown of non-current financial payables

(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Payables due to banks	580	217	363
Payables for financial leasing	0	0	0
Total	**580**	**217**	**363**

Breakdown of trade payables

(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Due to suppliers	9,059	8,059	1,000
Due to tax authorities for tax other than income tax	260	243	17
Other payables	2,384	2,580	(196)
Total trade payables	**11,703**	**10,882**	**821**

Payables due to suppliers mainly refer to the provision of services necessary for the production and sale of film rights, as well as to the activities performed by consultants to the benefit of the Group during 2016.

Breakdown of tax liabilities relating to tax other than income tax

(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
VAT payables	19	55	(36)
Payables for withholding tax on third-party remuneration	241	188	53

Total liabilities due to tax authorities for tax other than income tax	260	243	17

Breakdown of other payables

(in thousands of Euro)	31/12/2016	31/12/2015	Change
Payables for wages, salaries and fees	201	253	(52)
Due to social security institutions	347	364	(17)
Advances from customers	150	106	44
Advances from coproducers	1,558	1,692	(134)
Other payables	128	165	(37)
Total other payables	**2,384**	**2,580**	**(196)**

The item "Advances from coproducers" is mainly represented by the advances received in relation to the animated series being produced. For further information, reference is made to the section Receivables due from Others of these explanatory notes.

The item "Advances from customers", mainly relating to Mondo TV France S.A., includes amounts invoiced for advances provided for by contract based on the progress made in the production of animated cartoons.

As for financial payables, the breakdown is shown in the table below.

Breakdown of current financial payables

(in thousands of Euro)	31/12/2016	31/12/2015	Change
Cofiloisir funding for production	0	324	(324)
Due to banks for leases	0	6	(6)
Bank overdrafts	2,095	2,523	(428)
Total	**2,095**	**2,853**	**(758)**

Funds for production disbursed by Cofiloisir, a public institution under French law, to the subsidiary Mondo TV France S.A. to allow the disposal of receivables deriving from the production of animation works amount to zero as at 31 December 2016 (324 thousand as at 31 December 2015).

The item "Bank overdrafts and loans" consists of current account overdrafts, bank advances on invoices, and on the portion of loans received, due within the next year. The portion of these loans payable after the next year is instead classified under the item "Due to banks for loans" among non-current payables.

Reference should be made to note 8 for further details regarding payables due to credit institutions.

The due dates of the liabilities as at 31 December 2016 are detailed below.

The Mondo TV Group

Worst case repayment date	**on demand**	**due within 12 months**	**between 12 and 36 months**	**after 36 months**	**Total**
Non-current financial payables	**-**	**-**	**580**	**-**	**580**
Medium/long-term financial payables due to shareholders	-	-	-	-	**-**
Medium/long-term financial payables due to banks	-	-	580	-	**580**
Current financial payables net of cash	**285**	**-**	**-**	**-**	**285**

Short-term financial payables due to third parties	285	-	-	-	285
Trade and other payables	**-**	**10,145**	**-**	**-**	**10,145**
Total as at 31 December 2016	**285**	**10,145**	**580**	**-**	**11,010**

Trade payables are recorded net of the advances from coproducers, whereas the other amounts are directly taken from the net financial position.

12 OTHER LIABILITIES

The item "Other liabilities" refers to deferred income, i.e. portions of revenue for royalty rights invoiced at the end of the year but deemed, pursuant to the revenue recognition principle adopted, to accrue in future years since the relevant media have not been delivered yet.

They amount to Euro 3,482 thousand as at 31 December 2016 compared to Euro 1,496 thousand as at 31 December 2015.

13 TAX POSITION

The Mondo TV Group companies are not involved in litigation and tax disputes, except as follows in relation to the Parent Mondo TV S.p.A.

The tax periods for which Parent is still liable to audit by tax authorities are those from 2012 onward as concerns direct taxes and VAT.

In the year 2014, the Parent was subject to a tax audit on the year 2010 conducted by the Tax Police Squad of the Guardia di Finanza of Rome at the conclusion of which on 31 July 2014, it was notified the final Notice of Assessment.
The formal notice of assessment highlighted several findings among which we note, by size, the alleged requalification, from a fiscal point of view, of the shareholder loans granted in 2010 and subsequent years: precisely the examination of this accounting item prompted the verifier unit to extend the tax audit also to the following years (2011 and 2012), limited to said item.

In relation to 2010, the Company received two assessment notices:

- the first notice, notified on 9 October 2015, refers to IRES for 2010. The higher tax ascertained amounted to Euro 1.1 million plus interest and penalties of the same amount and refers, at least in the main notice, to the non-declaration of positive elements for about Euro 4 million.
  The Company, while not agreeing in any way with the findings submitted, presented on 25 November 2015 application for tax settlement only to reset the amount due by separating the tax losses of the year 2005 that can no longer be carried forward. On 18 February 2016, the act of adhesion was signed at the offices of the Revenue Agency of Rome 1, by means of which the assessment was defined for IRES purposes for the year 2010, which therefore closed without any charge for Mondo TV S.p.A.

- The second notice of assessment, also notified on 9 October 2015, refers to IRAP and VAT for the year 2010. The higher IRAP ascertained is equal to Euro 0.2 million plus interest, while the higher VAT ascertained is equal to approximately Euro 0.8 million plus interest. The penalties amount to approximately Euro 1.2 million.
  The Company filed an appeal against the notice of assessment on 2 December 2015, filing at the Provincial Tax Commission of Rome on 23 December 2015 contesting both for IRAP purposes the main finding consisting in the non-declaration of positive components for about Euro 4 million and for VAT purposes the non-declaration, invoicing and recording of taxable transactions for about Euro 4 million.

In relation to the year 2011, on 20 December 2016, the Revenue Agency notified assessment notices to the Parent Company:

- the first notice refers to VAT and IRAP; the higher VAT ascertained amounts to Euro 536 thousand plus interest, while the penalties amount to Euro 603 thousand; no higher was IRAP ascertained.

  On 16 February 2017, the Company filed an appeal against the notice of assessment notified to the Revenue Agency. The first hearing at the Provincial Tax Commission is scheduled for 26 April 2017.

- The second notice refers to IRES for 2011; the higher IRES ascertained amounts to Euro 724 thousand plus interest, while the penalties amount to Euro 651 thousand.

  For this second notice, the Company submitted a request for recalculation for deduction of losses and reduction of sanctions.

In consideration of the lack of any basis in the judgement of the findings contained in the Formal Notice of Assessment (PVC) of the Guardia di Finanza as reported slavishly by the Revenue Agency in the consequent Notices of Assessment notified, the Directors also comforted by the judgement of specially appointed consultants deem scarcely likely that the Company may succumb in this dispute, the residual value of around Euro 4.7 million and therefore, consistent with the assessments made in the annual financial report as at 31 December 2015, no provision was made in the financial report as at 31 December 2016.

14 CONTINGENT LIABILITIES

Directors believe that there are no significant contingent liabilities that must be recorded or described other than those recognised in paragraph 10 relative to the Provision for Risks and Charges.

15 COMMITMENTS

Commitments undertaken by the Group and not recognised under payables or provisions for risks and charges refer to:

- a guarantee of Euro 300 thousand issued by Confartigianato Fidi in favour of Veneto Banca for a short term credit line to be used as a self-liquidating loan;
- a guarantee of Euro 162 thousand issued by Banca Popolare dell'Emilia Romagna in favour of SIMEST.

16 REVENUES FROM SALES AND OTHER OPERATING REVENUES

Revenue from sales and services			
(in thousands of Euro)	**2016**	**2015**	**Change**
Revenue from sales of rights	14,617	9,597	5,020
Revenue from licensing	5,257	632	4,625
Revenue from production services	7,525	5,627	1,898
Other income	16	947	(931)
Total	**27,415**	**16,803**	**10,612**

Revenues from sales and services went from Euro 16,803 thousand in 2015 to Euro 27,415 thousand in 2016; the significant increase in revenues of Euro 10,612 thousand was due to both production, for the significant order portfolio related to international productions, mainly in Asia, the United States and the United Arab Emirates acquired by the subsidiary Mondo TV Suisse S.A., and the production of which is realized by Mondo TV S.p.A. and important sales contracts of the Library acquired in China by the Parent Company, and for the exploitation of the licensing of the new series produced.

As a result of the above, production revenues went from Euro 5,627 thousand the previous year to the current Euro 7,525 thousand, while the sale of licenses went from Euro 9,597 thousand the previous year to the current Euro 14,617 thousand, while licensing revenues went from Euro 632 thousand to Euro 5,257 thousand.

17 CAPITALISATION OF INTERNALLY PRODUCED SERIES

The Group produces animated series in-house, incurring, in addition to external costs of direction, screenplay, animation studies and music, the internal costs as well, concerning both the pre-production and post-production phases. These costs are recognised and attributed to the series in progress. Directors recognise the series produced in-house as assets in the statement of financial position when they satisfy the definition of intangible assets in compliance with IAS 38.
The Group capitalises these costs only when the costs incurred for the production of animated series refer to the development phase: until then, expense incurred is recognised in profit or loss.
The capitalisation of the animated series realised internally mainly concerns the capitalisation of the costs incurred by the Parent Company in relation to the production of its animated series and, secondarily, by the subsidiary Mondo TV France.
The capitalised costs consist of approximately Euro 708 thousand in labour costs and of approximately Euro 492 thousand in operating costs due to third parties.

18 RAW MATERIALS, CONSUMABLES AND GOODS

This item, equal to Euro 103 thousand (Euro 96 thousand in 2015), represents the cost incurred by the Group for consumables.

19 PERSONNEL COSTS

The breakdown of this item is specified in the table below.

Personnel costs			
(in thousands of Euro)	**2016**	**2015**	**Change**
Salaries and wages	1,893	1,575	318
Social security costs	447	457	(10)
Post-employment benefits	76	70	6
Total	**2,416**	**2,102**	**314**

The Group's human resources are detailed by category in the table below.

Group's human resources (average figure)		
	31/12/2016	**31/12/2015**
White-collar workers	30	25
Middle-managers	2	3
Executives	4	3
Total	**36**	**31**

20 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the item is shown below:

Breakdown of depreciation, amortisation and impairment			
(in thousands of Euro)	**2016**	**2015**	**Change**
Proprietary rights	2,320	2,821	(501)
Temporary licenses	2,911	301	2,610
Other intangible assets	39	15	24
Amortisation of intangible assets	***5,270***	***3,137***	***2,133***
Depreciation of property, plant and equipment	***109***	***133***	***(24)***
Allowance for doubtful debts	**1,308**	**442**	**866**
Total depreciation, amortisation and impairment	**6,687**	**3,712**	**2,975**

For further details and information, reference is made to the related section of the balance of these explanatory notes.

21 OTHER OPERATING COSTS

The item “Other operating costs” is broken down in the table below.

Other operating costs			
(in thousands of Euro)	**2016**	**2015**	**Change**
Production costs	1,882	2,708	(826)
Marketing and commercialisation costs	764	611	153
Consulting services	1,027	419	608
Remuneration to corporate bodies	556	422	134
Other services	2,250	1,779	471
Service costs	**6,479**	**5,939**	**540**
Equipment hire and rents	557	586	(29)
Costs associated with leased assets	**557**	**586**	**(29)**
Sundry operating costs	**246**	**216**	**30**
Allocated	**50**	**685**	**(635)**
Total	**7,332**	**7,426**	**(94)**

Lower operating costs are due to lower production costs (Euro 826 thousand) following the lower volume of productions of the subsidiaries Mondo TV France and Mondo TV Suisse. Other items of service costs recorded moderate growth compared to the previous year. In particular, the item “Other services” mainly refers to costs related to the management of offices and corporate formalities.

22 FINANCE INCOME AND COSTS

The table below provides a breakdown of finance income and costs.

Finance income and costs

(in thousands of Euro)	2016	2015	Change
Finance income			
Gains	0	0	0
Bank interest payable	0	0	0
Interest on other receivables	0	0	0
Other finance income	41	0	41
sub total finance income	*41*	*0*	*41*
Finance costs			
Bank interest payable	(152)	(224)	72
Other interest	0	0	0
Bank fees	(96)	(80)	(16)
Other finance costs	(32)	(43)	11
sub total finance costs	*(280)*	*(347)*	*67*
Exchange rate gains and losses			
Exchange rate gains	684	457	227
Exchange rate losses	(416)	(210)	(206)
sub total exchange rate gains and losses	*268*	*247*	*21*
imp/reval investments	*(20)*	*(34)*	14
TOTAL	**9**	**(134)**	**143**

Exchange rate gains and losses mainly originated from changes in the exchange rate between the Euro and the US Dollar, in relation to commercial relations held in foreign currencies with customers and suppliers and bank accounts.

23 TAXES

The breakdown is shown in table below.

Breakdown of taxes			
(in thousands of Euro)	**2016**	**2015**	**Change**
Previous years' taxes	**(163)**	**82**	**(245)**
Current taxes	**(3,573)**	**(2,038)**	**(1,535)**
Changes in tax rate	0	(547)	547
Prepaid taxes of previous years recognised in profit or loss	(1,109)	(45)	(1,064)
Deferred tax liabilities of previous years recognised in profit or loss	0	4	(4)
Deferred tax assets for the year	474	472	2
Deferred tax liabilities for the year	(82)	(98)	16
Prepaid (deferred) taxes	**(717)**	**(214)**	**(503)**
Taxes for the year	**(4,453)**	**(2,170)**	(2,283)
IRES (Corporate Income Tax)	(3,655)	(1,773)	(1,882)
IRAP (Regional Business Tax)	(646)	(310)	(336)
Taxes foreign subsidiaries	(152)	(87)	(65)

Taxes for the year	**(4,453)**	**(2,170)**	**(2,283)**

The table below shows the reconciliation between the Group's theoretical and effective tax rate:

Reconciliation of taxes		
(in thousands of Euro)	**2016**	**2015**
Pre-tax income	12,716	5,449
IRES (Corporate Income Tax) at the current rate	(3,560)	(1,399)
Tax effect of permanent differences for IRES (Corporate Income Tax)	358	(68)
Adjustments to net deferred tax assets for IRES (Corporate Income Tax)	(290)	(388)
IRES (Corporate Income Tax)	**(3,492)**	**(1,855)**
IRAP (Regional Business Tax)	**(646)**	**(310)**
Foreign taxes	**(152)**	**(87)**
Adjustment of prior year taxes	**(163)**	**82**
Total income tax expense for the year	**(4,453)**	**(2,170)**

24 DIVIDENDS

In 2016, an ordinary dividend of Euro 0.04 per share was resolved and distributed and in December an extraordinary dividend for shares in the subsidiary Mondo TV Iberoamerica S.A., together with a cash part, was resolved and distributed.

25 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share attributable to the Parent's shareholders are obtained by dividing the profit (or the loss) by the number of shares.

Calculation of basic and diluted earnings (losses) per share	**2016**	**2015**
Average number of shares during the year	27,499,428	26,424,828
Profit (loss) for the year (in thousands of Euro)	8,555	3,090
Basic and diluted earnings (losses) per share	**0.31**	**0.12**

The diluted earnings (losses) per share as at 31 December 2016 correspond to the basic earnings per share since there is no dilution effect.

26 FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist in the credit lines and bank loans, finance leases and on-demand bank deposits.
Such instruments are aimed at financing the Group's operations. The Group has various other financial instruments, such as trade payables and trade receivables deriving from operations. The main risks generated by the Company's financial instruments are:

1. Credit risk
2. Liquidity risk
3. Exchange rate risk
4. Interest rate risk

Credit risk

Credit risk represents the Group companies' exposure to potential losses arising from the non-fulfilment of the obligations assumed by the counterparties.
Already in previous years, the Group Companies adopted appropriate procedures, such as the verification of debtors' solvency, to minimise the exposure to this risk.
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
The positions for which a risk of partial or total non-collectability is noted, are subject to individual impairment.

As at 31 December 2016, the Group's trade receivables amounted to Euro 31,261 thousand; Euro 4,634 thousand of which past due by more than 12 months; an allowance for doubtful debts of Euro 3,526 thousand was recognised in relation to these receivables.

Performing trade receivables have not been impaired since no significant indication of impairment emerged, based on an analysis conducted that took into account both the reliability of the individual customers, and the high distribution of credit risk.

Liquidity risk

Liquidity risk represents the risk that the financial resources might not be available or may be available at a cost so high that profit (loss) for the year may be affected.
In this regard, in order to be best protected against these risks, the Mondo TV Group adopts a policy for the optimization of the debt mix between short and medium/long-term and, as part of the short-term lines, a policy for diversification of the banking lines and institutions.

The following table shows the breakdown of Mondo TV Group's credit lines, expressed in millions of Euro, made available by banks as at 31 December 2016:

	CREDIT LINES - MONDO TV GROUP - 31 DEC. 2016			
	Credit lines			
	Cash	Trade	Loans	Total
UBS	0	1	0	1
Credit Suisse	0	0.25	0	0.25
Simest	0	0.2	0	0.2
CREDEM	0	0.4	0	0.4
CREDEM FACTORING	0	1	0	1
Veneto Banca	0	0.5	0	0.5
Total	**0**	**3.35**	**0**	**3.35**

As at 31 December 2016, with respect to the credit lines mentioned above, there are some past due positions for which the conditions were renegotiated for some in the first months of 2016 and for others negotiations are still ongoing with financial institutions to reach a renegotiation.

Exchange rate risk

The Group has an exposure arising from currency transactions (US dollars). Such exposure is generated mainly by Library sales, production contracts and licenses purchases.
The exchange rate risk is managed by keeping part of cash in US dollars, normally enough to settle the debts and commitments in dollars.

As at 31 December 2016, the Group had net assets denominated in US dollars totalling USD 10,543 thousand; if the Euro/Dollar exchange rate as at 31 December 2016 had been 10% lower, foreign currency gains of Euro 1,002 thousand would have been recorded, while if the exchange rate had been 10% higher, a foreign currency loss of Euro 1,002 thousand would have been recorded.

Interest-rate risk

The interest rate fluctuations influence the cash flows, the market value of the Company's financial assets and liabilities, and the level of the net financial income/expenses.
The Group's loans are at floating rates, in particular the Euribor plus a variable spread from 2.5% as regards Mondo TV France S.A. and up to Euribor +7% for some of the Parent's marginal lines.
In consideration of the low financial exposure, the Group companies are marginally subject to interest rate risk.

Risks associated with dependency on key managers

Some members of the Corradi family and some managers of the subsidiaries have strategic importance for the Group. The possible lack of their professional contribution could undermine the competitiveness of the Mondo TV Group and have negative repercussions on the economic, capital and financial situation.
In particular, some members of the Corradi family have a significant role in the management of the business of the company Mondo TV S.p.A. and in the development of its products.
Neither the members of the Corradi family nor the managers of the subsidiaries have entered into sole-agency or non-compete agreements with the Group's companies.

Other information

The carrying amount of short-term financial assets and liabilities is a reasonable approximation of the fair value and therefore it was unnecessary to measure the fair value.
Information on volume and breakdown of revenue, costs, and gains or losses generated by financial instruments are provided in the table showing finance costs and income.

The table below provides the breakdown of the Mondo TV Group's net financial position:

Consolidated net financial position

(in thousands of Euro)	**31/12/2016**	**31/12/2015**	**Change**
Cash and cash equivalents	1,810	2,869	(1,059)
Current financial payables due to banks	(2,095)	(2,529)	434
Current payables due to COFILOISIR	0	(324)	324
Net current financial position	**(285)**	**16**	**(301)**
Non-current payables due to banks	(580)	(217)	(363)
Net non-current financial position	**(580)**	**(217)**	**(363)**
Net financial debt as per comm. Consob DEM/6064293	**(865)**	**(201)**	**(664)**
Non-current receivables due from third parties	162	307	(145)
Consolidated net financial position	**(703)**	**106**	**(809)**

27 REMUNERATION TO CORPORATE BODIES

During the year ended 31 December 2016, the Parent's Board of Directors earned remuneration net of social security costs of Euro 257 thousand as resolved by the Company's Ordinary Shareholders' Meeting on 30 April 2015 and by the Board of Directors' meeting of 01 October 2015. Remuneration is broken down as follows:

(Thousands of Euro)	**31/12/2016**	**31/12/2015**
Remuneration	257	250
Post-employment benefits	-	-
Other long-term benefits	-	-
Indemnities for the termination of employment	-	-
Stock options	-	-
TOTAL	**257**	**250**

The annual remuneration owed to the members of the Company's corporate bodies for their various roles are also detailed in the table below (amounts in thousands of Euro):

Breakdown of the remuneration due to the current corporate bodies' members

Surname	**Name**	**Office held**	**Annual remuneration**
Corradi	Orlando	Chairman of Mondo TV S.p.A.	80
Corradi	Monica	Board Member of Mondo TV S.p.A.	83
Corradi	Matteo	Director of Mondo TV S.p.A, Chair of Mondo TV France, Director of Mondo TV Suisse and Sole Director Mondo TV Spain	200
Ferrari	Marcello	Chairman of the Board of Statutory Auditors of Mondo TV S.p.A.	11
Figliuzzi	Francesco	Board Member of Mondo TV S.p.A.	3
Marchetti	Carlo*	Board Member of Mondo TV S.p.A.	121
Barra	Adele	Member of the Board of Statutory Auditors of Mondo TV S.p.A.	8
Martinelli	Marina	Board Member of Mondo TV S.p.A.	13
Romani	Vittorio	Auditor of Mondo TV	8
			527

* Of which Euro 97 thousand as executive compensation, Euro 12 thousand as a Director of Mondo TV, Euro 10 thousand as a Director of Mondo TV France and 2 thousand as Director of Mondo TV Toys.

It is hereby specified, as required by Consob Communication of 24 February 2011, that no indemnity shall be granted to Directors in case of early termination of the employment relationship and no succession plan is envisaged for executive Directors.

28 REMUNERATION OF THE INDEPENDENT AUDITOR

As required by art.149-duodecies of the CONSOB Issuers' Regulation, the fees recorded by the Company in relation to the audit services during 2016 are provided below. The amounts relating to the activities performed for 2016 and the supplementary remuneration resolved are shown separately in the table by individual company. Audit services, audit support services and services related to fairness opinions were provided during the year.

Type of service	Service provider	Recipient	2016 Fees
Audit	BDO Italia	Parent Company	55
Audit	BDO (*)	subsidiaries	57
Fairness opinions and other services	BDO Italia	Parent Company	50
Fairness opinions and other services	BDO (*)	subsidiaries	3
Total			**165**

(*) foreign independent auditors belonging to the BDO network

29 INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of trade receivables and other financial assets, of trade and other payables and of other financial liabilities, recorded under the "current" items of the statement of financial position and measured using the amortised cost method, does not diverge from the carrying amounts as at 31 December 2016 since it mainly refers to assets underlying commercial dealings which are expected to be settled in the short term.
Non-current financial assets and liabilities are settled at market rates and therefore their fair value is essentially deemed to be in line with the current market value. Therefore, there are no differences between their fair value and their carrying amount.

30 ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication DEM/6064293 of 28 July 2006 "Disclosure for listed issuers and issuers of financial instruments widely distributed among the public pursuant to art. 116 of the Consolidated Law on Finance (TUF, Testo Unico sulla Finanza) – Requirements pursuant to art. 114, par.5, of Italian Legislative Decree 58/98", it is noted that:

- no non-recurring transactions or non-recurring events, or transactions or events that do not recur frequently in the normal performance of operations took place;
- no atypical and/or unusual transactions were carried out.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

To date, there have been no events after 31 December 2016 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the financial statements.

In March, the subsidiary Mondo TV Iberoamerica signed with Alianzas Produciones the contract for the second and third season of the live fiction *"Heidi"*, which, with a total investment of USD 8 million, is one of the most important assets for the Group as well as one of the most important growth drivers for the coming years.

On 10 March 2017, the second and third bonds tranches were issued under the contract concluded between Mondo TV S.p.A. and Atlas.
The second tranche relates to 12 Bonds, for a total value of Euro 3,000 thousand while the third tranche relates to 18 bonds for a total value of Euro 4,500 thousand; these resources will allow accelerating the business plan and will be finance the further growth of the Mondo TV Group over the next few years.

The Board of Directors' meeting of 29 March 2017 authorised the publication of these financial statements.

On behalf of the Board of Directors of Mondo TV S.p.A.
Chief Executive Officer

____

(Matteo Corradi)

Certification of the consolidated financial statements as at 31 December 2016 in compliance with art. 154-*bis*, par.5, of Italian Legislative Decree 58/1998 as subsequently amended and supplemented

1. The undersigned Matteo Corradi and Carlo Marchetti, in their respective capacities as CEO and Head of Financial Reporting of the Mondo TV Group (the "**Group**") certify, also taking into account the provisions of art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree 24 February 1998, no. 58:

- the adequacy in relation to the characteristics of the Company and
- the effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2016.

2. No significant aspects have emerged.

3. It is also certified that:

3.1 the consolidated financial statements as at 31 December 2016:

- were drafted in accordance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) 1606/2022 of the European Parliament and Council, of 19 July 2002;

- are consistent with the entries in accounting books and records;

- were drafted in compliance with art. 154-*ter* of the above-mentioned Italian Legislative Decree 58/1998 as subsequently amended and supplemented, provide a true and fair view of the financial position, financial performance and cash flows of the issuer and of the companies included in the scope of consolidation.

3.2 The Report on Operations includes a reliable analysis of the performance and the results of operations, as well as of the Issuer's general situation, together with a description of the main risks and uncertainties to which it is exposed. The Report on Operations also includes reliable disclosure on significant transactions with related parties.

This certification is also provided to the intents and purposes of art. 154-*bis*, par.2, of Italian Legislative Decree 58 of 24 February 1998.

Rome, 29 March 2017

____________________________	____________________________
Chief Executive Officer	Head of Financial Reporting
Matteo Corradi	Carlo Marchetti

ANNEXES

1 CORPORATE BODIES AND COMMITTEES OF THE PARENT

Board of Directors[1]

Chairman
Orlando Corradi
Chief Executive Officer
Matteo Corradi
Directors
Monica Corradi
Marina Martinelli[2]
Francesco Figliuzzi[3]
Carlo Marchetti

Internal Control Committee

Chairman
Francesco Figliuzzi
Members
Marina Martinelli

Remuneration Committee

Chairman
Marina Martinelli
Members
Francesco Figliuzzi

Investor Relator

Matteo Corradi

Board of Statutory Auditors[4]

Marcello Ferrari (Chairman)
Adele Barra
Vittorio Romani

Independent Auditor[5]

BDO Italia S.p.A.

Sponsor and Specialist

Intermonte

[1] Appointed by the Shareholders' Meeting held on 30 April 2015 and in office until approval of the financial statements as at 31 December 2017.
[2] Independent Director
[3] Independent Director
[4] Appointed by the Shareholders' Meeting held on 29 April 2014 and in office until approval of the financial statements as at 31 December 2016.
[5] Appointed for nine years by the Shareholders' Meeting on 30 April 2015, until approval of the financial statements as at 31 December 2023.

2 POWERS AND CORPORATE GOVERNANCE

Powers

Mondo TV S.p.A. appointed as the Chief Executive Officer Matteo Corradi, with all the powers for the ordinary and extraordinary administration of the Company, excluding only those that are strictly reserved to the Board of Directors by law, as well as the transactions having a significant impact in terms of performance, financial position and cash flows, and all transactions with related parties.

Corporate Governance

The Corporate Governance system, still being implemented, is inspired by the recommendations provided by the relevant committee of listed companies that drafted the Corporate Governance Code as well as by the subsequent legal provisions on the governance of listed Companies.
The Company is directed by a ***Board of Directors*** currently consisting of 6 members, as resolved by the Shareholders' Meeting of 30 April 2015.
Mondo TV S.p.A.'s Board of Directors is the body responsible for defining the strategic, organisational, and operational policies, as well as verifying the existence and adequacy of the control systems necessary to assess the performance of the Parent and of the subsidiaries. In particular, the Board of Directors:

- delegates powers and duties to the Directors and revokes them;
- determines, having consulted the Board of Statutory Auditors, and at the proposal of the Remuneration Committee, the Directors' remuneration in conformity with art. 2389 of the Italian Civil Code par.3;
- examines and approves the strategic plans of the subsidiaries and the corporate structure of the Group;
- supervises whether operations are properly conducted and specifically approves the transactions of particular interest in terms of performance and financial position;
- assesses whether the general organisational and administrative structure is adequate;
- supervises in particular any actual or potential conflict of interest and the transactions with related parties;
- reports to the shareholders in the Shareholders' Meeting.

The Articles of Association in force reserve to non-controlling interests the right to appoint a Director.

The Board of Directors is quorate when the absolute majority of the Directors in office is present, and resolutions are passed with the favourable vote of the majority of those present. In case of a tie vote, the chairman of the meeting shall cast the deciding vote.
The Board of Directors' meeting of 12 May 2015 appointed both the Internal Control Committee and the Remuneration Committee.

The duties of the ***Internal Control Committee*** are as follows:

- assess the adequacy of the Company's internal control procedures;
- examine and select the proposals from Auditing Firms to be appointed as Independent Auditors, submitting a recommendation to the Board;
- submit every six months a report to the Board on its work and the internal control proposals resolved upon;

- engage in all relationships with the Independent Auditors and perform any other duty delegated to it for that purpose by the Board of Directors.

The duties of the ***Remuneration Committee*** consist in making proposals on the remuneration of the members of the Board of Directors.
All members of the Control Committee and of the Remuneration Committee are non-executives, and are also independent pursuant to the Corporate Governance Code.

The Chairman and the Chief Executive Officer define the remuneration of subordinates within the scope of their delegated powers.
The Chairman of the Board of Directors is responsible for calling the board's meetings, setting their agenda beforehand, coordinating the activities of the Board, and chairing the meetings.
During the formal and informal Board of Directors' meetings, the Chairman ensures that each member of the Board of Directors and of the Board of Statutory Auditors has as much information as possible on the Company's operations and, in particular, on the Chairman activities in carrying out his duties.
During each meeting, the Board of Directors appoints, from time to time, a minute taker.

In accordance with the Articles of Association, the ***Board of Statutory Auditors*** consists of three standing auditors and of two alternate auditors appointed by the Shareholders' Meeting, which also establishes their remuneration.
The Articles of Association in force reserve to the non-controlling interest the right to appoint a standing auditor and an alternate auditor.
The board is appointed through the presentation of lists. Those shareholders who, alone or together with others, represent at least 2% of voting rights, have the right to present lists.
The lists presented must be deposited along with the curricula vitae of the candidates at the registered office at least ten days before the date scheduled for the Shareholders' Meeting on first call.
The statutory auditors are aware that they must:

- act autonomously and independently also when dealing with the shareholders who appointed them;
- work only in the Company's interests;
- monitor how the Board of Directors manages the Company;
- coordinate with the Independent Auditors and the Internal Control Committee.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 29 April 2014 and will remain in office until the Shareholders' Meeting that will approve the financial statements as at 31 December 2016.

The ***Investor Relations*** department, currently headed by the Board Member Matteo Corradi, was set up to facilitate the dialogue between the Company, shareholders and institutional investors.
The same Director is also specifically responsible for ensuring that the documents and information regarding the Company, in particular those that are price sensitive, are disclosed to the public in compliance with the instructions provided by CONSOB with regulation 11971 and by Borsa Italiana.

At least every six months, the Company arranges meetings with the financial community, during which it illustrates the results obtained and its future strategies, and it holds bilateral meetings with institutional investors whenever requested.

In the period from 1 January to 31 December 2016, the Board of Directors met 13 times. The Articles of Association do not provide for a minimum frequency of the Board of Directors' meetings. The delegated bodies have reported to the Board of Directors during the aforementioned meetings and in any case with the minimal quarterly frequency required by the Corporate Governance Code. The Directors were informed on the items on the agenda with sufficient prior notice.

The current Board of Directors of Mondo TV S.p.A. will remain in office until the approval of the financial statements as at 31 December 2017, as resolved by the Shareholders' Meeting of 30 April 2015.

On 28 March 2008, the Parent's Board of Directors also implemented an organisational model pursuant to Italian Legislative Decree 231/2001, which governs the administrative liability of legal entities, companies and associations, and indicates the rules and procedures to be complied with while carrying out the Company's operations for a more correct and efficient management, also with the aim of relieving the Company from any liability under the aforementioned law. The organisational model requires the adoption of a code of ethics, which is available on the Company's website. A Supervisory Body, consisting of three members of the Parent's Board of Directors, verifies the execution and implementation of the model.

3 CORPORATE BODIES OF THE SUBSIDIARIES

Mondo TV Suisse S.A.	Board of Directors Yvano Dandrea (Chair) Valentina La Macchia Paolo Zecca Matteo Corradi Alexander Manucer
Mondo TV Toys S.A.	Board of Directors Yvano Dandrea (Chair) Valentina La Macchia Carlo Marchetti Matteo Corradi
Mondo TV France S.A.	Directors Matteo Corradi (Chairman) Eve Baron Carlo Marchetti Fabrizio Balassone
Mondo TV Iberoamerica S.A.	Jesus Timoteo Maria Bonaria Fois Matteo Corradi Carlo Marchetti Patricia Motilla José Ramon
Mondo TV Producciones Canarias S.L.U.	Maria Bonaria Fois Matteo Corradi Enrico Martinis

4 LIST OF THE EQUITY INVESTMENTS IN THE SCOPE OF CONSOLIDATION

List of the equity investments held as at 31/12/2016	
Name	**Mondo TV Suisse S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31 December 2016	CHF 432,006
Profit (loss) for the year 2016	CHF 18,874
Ownership interest	64%

Name	**Mondo TV France S.A.**
Registered Office	Paris (France)
Share capital	Euro 1,100,000
Equity as at 31 December 2016	Euro 1,477,187
Profit (loss) for the year 2016	Euro (558,273)
Ownership interest	39%

Name	**Mondo TV Iberoamerica S.A.**
Registered Office	Madrid (Spain)
Share capital	Euro 500,000
Equity as at 31 December 2016	Euro 1,020,827
Profit (loss) for the year 2016	Euro 425,222
Ownership interest	72%
Name	**Mondo TV Producciones Canarias S.L.U.**
Registered Office	Tenerife (Spain)
Share capital	Euro 3,006
Equity as at 31 December 2016	Euro 91,889
Profit (loss) for the year 2016	Euro 88,883
Ownership interest	72% (indirect investment)
Name	**Mondo TV Toys S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31 December 2016	Euro (106,680)
Profit (loss) for the year 2016	Euro (206,680)
Ownership interest	100%

5 LIST OF RELATED PARTIES

Trilateral Land S.r.l.	Company managed or owned by a related party
Orlando Corradi	MTV Controlling shareholder - Director
Matteo Corradi	Director MTV, MFR, MSUISSE, MIBEROAMERICA, MCANARIAS
Monica Corradi	MTV Director
Francesco Figliuzzi	MTV Director
Marina Martinelli	MTV Director
Carlo Marchetti	MTV and MFR Director

FINANCIAL STATEMENTS AND NOTES AS AT 31 DECEMBER 2016

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(Amounts in Euro)	Notes	Annual 31/12/2016	Annual 31/12/2015
Non-current assets			
- *Intangible rights*	5	27,473,398	15,244,639
- *Other intangible assets*	5	*828*	*31,147*
Intangible assets	5	27,474,226	15,275,786
Property, plant and equipment	5	240,790	297,220
Equity investments	5	1,418,865	1,181,729
Deferred tax assets	6	4,622,135	7,624,660
Financial receivables	7	2,786,901	307,000
		36,542,917	**24,686,395**
Current assets			
Trade and other receivables	7	30,105,080	21,755,712
Financial receivables	7	134,013	0
Tax assets	6	4,025,967	6,693,735
Other assets	8	272,613	352,957
Cash and cash equivalents	9	1,379,778	1,655,560
		35,917,451	**30,457,964**
Total assets		**72,460,368**	**55,144,359**
- *Share capital*		14,361,232	13,212,414
- *Share premium*		21,213,461	12,562,489
- *Legal reserve*		2,642,483	2,642,483
- *Other reserves*		5,805,893	5,977,524
- *Retained earnings (accumulated losses)*		2,008,606	1,469,992
- *Profit (loss) for the year*		8,643,857	3,005,072
Total equity	10	**54,675,532**	**38,869,974**
Non-current liabilities			
Provision for post-employment benefits	11	415,879	345,727
Provisions for risks and charges	11	761,930	684,401
Deferred tax liabilities	6	222,607	140,594
Financial payables	12	580,000	217,195
		1,980,416	**1,387,917**
Current liabilities			
Provisions for risks and charges	11	28,914	712,247
Trade and other payables	12	11,048,541	10,750,131
Financial payables	12	1,244,731	1,927,645
Other liabilities	13	3,482,234	1,496,445
		15,804,420	**14,886,468**
Total liabilities		**17,784,836**	**16,274,385**
Total liabilities + equity		**72,460,368**	**55,144,359**

SEPARATE INCOME STATEMENT

Amounts in Euro	Notes	2016	2015
Revenue from sales and services	17	24,844,177	13,339,429
Other income	17	321,478	459,961
Capitalisation of internally produced animated series	18	1,159,149	1,138,249
Raw materials, consumables and goods	19	(92,802)	(94,060)
Personnel costs	20	(1,397,950)	(1,317,748)
Amortisation and impairment of intangible assets	21	(4,754,342)	(1,326,427)
Depreciation and impairment of property, plant and equipment	21	(92,144)	(114,329)
Allowance for doubtful debts	7	(1,204,602)	(400,000)
Other operating costs	22	(5,704,227)	(6,557,924)
EBIT		**13,078,737**	**5,127,151**
Finance income	23	709,277	504,836
Finance costs	23	(842,482)	(543,534)
Profit (loss) of the period before tax		**12,945,532**	**5,088,453**
Income tax expense	24	(4,301,675)	(2,083,381)
Profit (loss) for the year		**8,643,857**	**3,005,072**
Basic and diluted earnings (losses) per share	25	**0.31**	**0.11**
Diluted earnings (losses) per share		**0.31**	**0.11**

COMPREHENSIVE INCOME STATEMENT

Comprehensive income statement			
Amounts in Euro	notes	2016	2015
Profit (loss) for the year (A)		**8,643,857**	**3,005,072**
Other items of the comprehensive income statement:			
Items that may be recognised in the comprehensive income statement in future years		-	-
Items that will not be recognised in the comprehensive income statement in future years			4,870
Total other comprehensive income (loss) net of tax effect (B)			4,870
Total comprehensive income (loss) (A)+(B)		**8,643,857**	**3,009,942**

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity							
(Values in Euro)	Share capital	Legal reserve	Retained earnings (losses)	Share premium	Other reserves	Profit (loss) for the year	Equity
Balance as at 31/12/2014	**13,212,414**	**2,642,483**	**0**	**13,598,291**	**(1,069,201)**	**1,469,992**	**29,853,979**
Transactions with shareholders recognised in equity:							
Distribution in kind Mondo TV Suisse shares				(14,796)			(14,796)
Items of the comprehensive income statement for the year:							
Shareholders' Meeting of 17 March 2015	-	-	-	(1,021,006)	1,021,006	-	0
Allocation of profit (loss) for the year 2014	-	-	1,469,992			- 1,469,992	-
Disposal of shares of subsidiaries	-	-	-	-	6,020,849	-	6,020,849
Other changes	-	-	-	-	4,870	-	4,870
Profit (Loss) for the year (+/-)	-	-	-	-	-	3,005,072	3,005,072
Balance as at 31/12/2015	**13,212,414**	**2,642,483**	**1,469,992**	**12,562,489**	**5,977,524**	**3,005,072**	**38,869,974**
Transactions with shareholders recognised in equity:							
GEM capital increase	613,170			4,686,620	(675,772)		4,624,017
Atlas capital increase	535,648			3,964,352	(704,690)		3,795,310
Dividend meeting 29 April 2016						(1,106,047)	(1,106,047)
Dividend meeting 17 November 2016			(849,159)				(849,159)
Items of the comprehensive income statement for the year:							
Allocation of profit (loss) for 2015	-	-	1,387,773		511,252	(1,899,025)	0
Disposal of shares of subsidiaries	-	-	-	-	697,582	-	697,582
Other changes	-	-	-	-	(2)	-	(2)
Profit (Loss) for the year (+/-)	-	-	-	-	-	8,643,857	8,643,857
Balance as at 31/12/2016	**14,361,232**	**2,642,483**	**2,008,606**	**21,213,461**	**5,805,894**	**8,643,857**	**54,675,532**

For further information on equity, reference should be made to note no. 10.

CASH FLOW STATEMENT

Cash Flow Statement		
(in thousands of Euro)	**2016**	**2015**
A. CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,655,560	223,114
Profit (loss) for the year	8,643,857	3,005,072
Depreciation, amortisation and impairment	6,051,088	1,840,756
Net change in provisions	(535,652)	701,890
Cash flow from (used in) operating activities before changes in working capital	14,159,293	5,547,718
(Increase) decrease in trade and other receivables	(9,553,970)	(4,480,397)
(Increase) decrease in tax assets	5,670,293	3,165,322
(Increase) decrease in other assets	80,344	(137,603)
Increase (decrease) in trade payables	298,410	2,122,119
Increase (decrease) in tax liabilities	82,013	60,645
Increase (decrease) in other liabilities	1,985,789	248,027
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	12,722,172	6,525,831
(Acquisition) disposal of:		
- Intangible assets	(16,952,782)	(9,885,255)
- Property, plant and equipment	(35,714)	(180,688)
- Financial assets	(237,136)	43,858
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(17,225,632)	(10,022,085)
Changes in capital	9,116,907	6,025,719
Dividends paid	(1,955,206)	(14,796)
(Increase) decrease in financial receivables and securities	(2,613,914)	(162,000)
Increase (decrease) in financial payables	(187,531)	(744,810)
Interest paid	(132,578)	(175,413)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	4,227,678	4,928,700
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(275,782)	1,432,446
F. CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	1,379,778	1,655,560

FINANCIAL STATEMENTS PROVIDING RELATED PARTY DISCLOSURES PURSUANT TO CONSOB RESOLUTION 15519 OF 28/07/2006

In compliance with Consob Resolution 15519 of 28 July 2006 "Provisions on financial statements", in addition to mandatory disclosure, separate income statement and statement of financial position have been provided with the significant transactions with related parties shown separately from the relevant item.

Statement of financial position as at 31 December 2013

Amounts in Euro	31 Dec. 16	related parties	31 Dec. 15	related parties
Non-current assets				
- Intangible rights	27,473,398		*15,244,639*	
- Other intangible assets	828		*31,147*	
Intangible assets	27,474,226	0	15,275,786	0
Property, plant and equipment	240,790		297,220	
Equity investments	1,418,865	1,418,865	1,181,729	1,181,729
Deferred tax assets	4,622,135		7,624,660	
Receivables	2,786,901	2,624,966	307,000	
	36,542,917	**4,043,831**	**24,686,395**	
Current assets				
Closing inventories				
Trade receivables	30,105,080	3,780,616	21,755,712	4,977,310
Financial receivables	134,013	134,013	0	0
Tax assets	4,025,967		6,693,735	
Other assets	272,613	0	352,957	0
Cash and cash equivalents	1,379,778		1,655,560	
	35,917,451	**3,914,629**	**30,457,964**	
Total assets	**72,460,368**	**7,958,460**	**55,144,359**	
Non-current liabilities				
Post-employment benefits	415,879		345,727	
Provisions for risks and charges	761,930		684,401	
Deferred tax liabilities	222,607		140,594	
Financial payables	580,000	0	217,195	0
	1,980,416	**0**	**1,387,917**	**0**
Current liabilities				
Provisions for risks and charges	28,914	0	712,247	0
Trade payables	11,048,541	1,161,411	10,750,131	1,044,932
Financial payables	1,244,731	0	1,927,645	0
Tax liabilities	0		0	
Other liabilities	3,482,234		1,496,445	
	15,804,420	**1,161,411**	**14,886,468**	
Total liabilities	**17,784,836**	**1,161,411**	**16,274,385**	**0**
- Share capital	14,361,232		*13,212,414*	
- Share premium	21,213,461		*12,562,489*	
- Legal reserve	2,642,483		*2,642,483*	
- Other reserves	5,805,893		*5,977,524*	

- Retained earnings (accumulated losses)	2,008,606		*1,469,992*	
- Profit (loss) for the year	8,643,857		*3,005,072*	
Total equity	**54,675,532**	**0**	**38,869,974**	**0**
Total liabilities and equity	**72,460,368**	**1,161,411**	**55,144,359**	**0**

Income statement

Amounts in Euro	2016	Related parties	2015	Related parties
Revenue from sales and services	24,844,177	2,501,852	13,339,429	3,820,837
Other income	321,478		459,961	
Capitalisation of internally produced animated series	1,159,149		1,138,249	
Raw materials, consumables and goods	(92,802)		(94,060)	
Personnel costs	(1,397,950)	(96,279)	(1,317,748)	(96,279)
Amortisation and impairment of intangible assets	(4,754,342)		(1,326,427)	
Depreciation and impairment of property, plant and equipment	(92,144)		(114,329)	
Allowance for doubtful debts	(1,204,602)		(400,000)	
Other operating costs	(5,704,227)	(1,178,840)	(6,557,924)	(1,048,293)
EBIT	**13,078,737**		**5,127,151**	
Finance income	709,277	50,819	504,836	42,349
Finance costs	(842,482)		(543,534)	
Profit (loss) before tax	**12,945,532**		**5,088,453**	
Income tax expense	(4,301,675)		(2,083,381)	
Profit (loss) for the year	**8,643,857**		**3,005,072**	

Statement of cash flows providing related party disclosures

Amounts in Euro	**2016**	**related parties**	**2015**	**related parties**
A. CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,655,560		223,114	
Profit (loss) for the year	8,643,857		3,005,072	
Depreciation, amortisation and impairment	6,051,088	-	1,840,756	-
Net change in provisions	(535,652)	-	701,890	-
Cash flow from (used in) operating activities before changes in working capital	14,159,293	0	5,547,718	0

(Increase) decrease in trade and other receivables	(9,553,970)	1,196,694	(4,480,397)	(1,558,497)
(Increase) decrease in tax assets	5,670,293		3,165,322	
(Increase) decrease in other assets	80,344	0	(137,603)	0
Increase / (decrease) in trade payables	298,410	116,479	2,122,119	(86,572)
Increase / (decrease) in tax liabilities	82,013		60,645	
Increase / (decrease) in other liabilities	1,985,789		248,027	
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	12,722,172	1,313,173	6,525,831	(1,645,069)
(Acquisition) Disposal of:				
- Intangible assets	(16,952,782)	-	(9,885,255)	-
- Property, plant and equipment	(35,714)		(180,688)	
- Financial assets	(237,136)	(237,136)	43,858	43,858
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(17,225,632)	(237,136)	(10,022,085)	43,858
Changes in capital	9,116,907		6,025,719	
Dividends paid	(1,955,206)		(14,796)	
(Increase) decrease in financial receivables and securities	(2,613,914)	(2,758,979)	(162,000)	-
Increase / (decrease) in financial payables	(187,531)	-	(744,810)	-
Interest paid	(132,578)	-	(175,413)	-
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	4,227,678	(2,758,979)	4,928,700	0
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(275,782)	(1,682,942)	1,432,446	(1,601,211)
F. CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	1,379,778		1,655,560	

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

1 FORM AND CONTENT

Mondo TV S.p.A. is a joint-stock company registered under the Rome Companies Register. The Company is incorporated under Italian law, its registered office is located in Rome, Via Brenta 11 and it is listed on the Italian stock exchange (Borsa Italiana's STAR market). The subsidiaries Mondo TV France S.A. and Mondo TV Suisse S.A. are listed on the AIM Italy/Alternative Capital Market (hereinafter, "AIM Italy") organised and managed by Borsa Italiana S.p.A., while the subsidiary Mondo TV Iberoamerica S.A. is listed on the MAB Iberico organised and managed by the Madrid Stock Exchange.

At the close of the stock market of 29 March 2017, the price of the shares stood at Euro 4.38, equivalent to a capitalisation of about Euro 126 million. The stock value has been substantially stable in the last 12 months.

The financial statements as at 31 December 2016 were approved by the Board of Directors' meeting of 29 March 2017, which authorised their publication on that same date and convened the Shareholders' Meeting for relevant approval on 29 April 2016 (single call).

These financial statements are subject to audit by BDO Italia S.p.A. pursuant to Italian Legislative Decree 39/2010.

The annual financial statements (the "financial statements") of Mondo TV S.p.A. (hereafter also the "Company" or the "Parent") have been prepared on a going concern basis, as the Directors have verified that no significant financial, operating or other indicators of issues concerning the Company's ability to meet its obligations in the foreseeable future, and in particular within the 12 months from the end of the reporting period, exist. How the Company manages financial risks, including liquidity risk and capital risk, is described in paragraph 26 "Financial Risk Management".

The financial statements are prepared and presented in Euro, which is the functional currency of the Company. The amounts reported in the tables included in the notes are expressed in thousands of Euro, unless otherwise indicated.

The financial statements have been prepared on the historical cost basis, except for the measurement of financial assets and liabilities, in the cases in which fair value measurement is required.

The main activities of the Company and its subsidiaries are described in the Report on Operations.

2 ACCOUNTING POLICIES AND MEASUREMENT BASES

The Company's financial statements as at 31 December 2016 consist of the statement of financial position, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes in equity and relevant notes, and are drafted pursuant to IFRSs.

The acronym IFRS refers to the "International Financial Reporting Standards" (IFRS), the "International Accounting Standards" (IAS), all interpretations of the "International Financial Reporting Interpretations Committee" (IFRIC), formerly known as the "Standing Interpretations Committee" (SIC), which, on the date of approval of these financial statements, have been endorsed by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002. In particular, it is noted that IFRSs were applied consistently to all the years examined in this Report. Furthermore, these financial statements were drafted based on the best knowledge of IFRSs and the best interpretations on the issue; any future interpretations and revisions will be taken into account in the next years, in accordance with the provisions included from time to time in the relevant accounting standards.

In preparing these financial statements the cost method was applied, except for the derivative instruments and some financial assets for which IAS 39 requires or, limited to financial assets, allows measurement at fair value.

These financial statements provide a true and fair view of the financial position, financial performance and cash flows. They are consistent with the company accounts, which fully reflects the transactions carried out in the year, and comply with the applicable accounting standards. Specifically, they are prepared:

- on an accrual basis: events and transactions are recognised when they occur regardless of when the related receipts and payments take place;
- on a going concern basis: the continuity of operations is assumed to be maintained in the next twelve months as from the end of the reporting period;
- based on the substance over form principle: when operating events are recognised in the statements, priority is given to the principle of substance over form.

The asset and liability items were measured by applying, wherever necessary, assumptions based on reliable items, past experience, and information available at the date of preparation of these financial statements.

The statement of financial position, income statement, comprehensive income statement, cash flow statement and statement of changes in equity show the comparison with the results related to the previous year ended 31 December 2015 of Mondo TV S.p.A.

The accounting standards and policies applied to these financial statements, consistent with those used in preparing the financial statements as at 31 December 2015, are the same ones adopted to prepare the consolidated financial statements, to which reference is made. As from 1 January 2016, certain amendments were applied to international accounting standards. The main amendments are shown in the next paragraph "Recently issued accounting standards".

3 FORMAT OF FINANCIAL STATEMENTS

As regards the format adopted for these financial statements, the Company has resolved to present the following types of financial statements.

Statement of Financial Position
The statement of financial position as at 31 December 2016 is presented in opposite sections, keeping separate Assets, Liabilities and Equity. In addition, the asset and liability items are classified as current and non-current.

Income Statement
The income statement as at 31 December 2016 is classified by nature.

Comprehensive Income Statement
The comprehensive income statement is presented as a separate statement with respect to the income statement as allowed by IAS 1 Revised.

Cash Flow Statement
The cash flow statement was prepared using the indirect method.

Statement of Changes in Equity
The statement of changes in equity was prepared in compliance with IAS 1 Revised.

RECENTLY ISSUED ACCOUNTING STANDARDS

With reference to the accounting standards recently issued, reference is made to as indicated in the consolidated financial statements.

4 OPERATING SEGMENTS

The Company produces or purchases from the market media content – animation, in particular – and subsequently distributes them through the granting of licenses. No segment other than the animation segment can be considered as a reportable segment at this time, nor does management use additional reporting with the characteristics applied to "segments" as provided for by IFRS 8.

The table below provides, comparative for 2016 and 2015, the breakdown of revenues by geographical area. The allocation of revenue to a specific geographical area solely on the basis of the purchaser's nationality. Thus, the geographical distribution of rights sold was not taken into account.

Breakdown of revenues by geographical areas Mondo TV

(in thousands of Euro)	2016		2015		Difference	
Geographical areas	**values**	**%**	**values**	**%**	**values**	**%**
Italy	2,550	10%	2,538	18%	12	0%
Europe	3,068	12%	4,958	36%	(1,890)	(38%)
Asia	19,492	78%	6,135	44%	13,357	218%
Americas	55	0%	52	1%	3	6%
Africa	0	0%	116	1%	(116)	(100%)
Total revenue	**25,165**	**100%**	**13,799**	**100%**	**11,366**	**82%**

All non-current assets are located in Italy.

5 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND FINANCIAL ASSETS

The breakdown of changes in intangible rights and other intangible assets is shown in the table below.

Changes in intangible assets

(in thousands of Euro)	Intangible rights	Other intangible assets	TOTAL
Cost at the end of the period	76,466	978	77,444
Amortisation for impairment as at 31 Dec.	(16,591)	0	(16,591)
Amortisation at the end of the period	(53,193)	(943)	(54,136)
Balance as at 31 December 2014	**6,682**	**35**	**6,717**
Previous year			
Acquisitions in the period	9,875	10	9,885
Ordinary amortisation	(1,312)	(14)	(1,326)
Cost at the end of the period	86,341	988	87,329
Amortisation for impairment as at 31 Dec.	(16,591)	0	(16,591)
Amortisation at the end of the period	(54,505)	(957)	(55,462)
Balance as at 31 December 2015	**15,245**	**31**	**15,276**
Current year			
Acquisitions in the period	16,944	8	16,952
Ordinary amortisation	(4,716)	(38)	(4,754)
Cost at the end of the period	103,285	996	104,281
Amortisation for impairment as at 31 Dec.	(16,591)	0	(16,591)
Amortisation at the end of the period	(59,221)	(995)	(60,216)
Balance as at 31 December 2016	**27,473**	**1**	**27,474**

All the costs recorded are reasonably related to the assets' useful life over the years and are amortised/depreciated on a straight-line basis in a period of 7 seven years. Amortisation starts as soon as the title is completed and feasible for commercial use. This measurement method is deemed to be more suitable to amortise film rights.

Impairment test on the Library
Once a year or during the drafting of the annual financial report if there is an indication of impairment, the Company checks if the recoverable value is at least equal to the carrying amount, in compliance with IAS 36.

Also in 2016, the Company operated in an economic context of stagnation, both in Italy and in much of Europe.
In particular, the animation business has been hard hit in these countries due to a contraction in the advertising market which has forced TV market operators to drastically reduce their investment budget; therefore the purchase price of new licences tended to decrease and a considerably stricter purchase selection process was implemented that increasingly favours products with a licensing potential capable of attracting investments, including toy manufacturers, and companies operating in the licensing sector.
The Company has also demonstrated significant commercial strength in the countries that now have significant growth rates, such as the United Arab Emirates, China and Taiwan.

In addition, on 31 December 2016, the Directors of the Company subjected intangible rights to impairment tests pursuant to IAS 36 in order to account for any additional impairment losses. The test was conducted by comparing the book value of the assets tested with the recoverable value, estimated in terms of value in use. In particular, the value in use was determined using the method of discounted cash flows, in the "unlevered" version. The cash flows used are those that are expected to be generated by the assets subject to analysis based on past experiences and expectations of developments in the markets in which the Company operates.

The resulting cash flows are discounted using a discounting rate (WACC) determined by applying the Capital Asset Pricing Model of 8.3%.

Consistently with the previous years, based on the Company's specific experience and the well-established practice in the sector, the cash flow has been calculated over a ten-year period (2017-2026) in light of the following aspects:

- the Company retains full ownership of most of the Library consisting of series for an unlimited period of time;
- the Company considers the period of economic life of rights to last for ten years (the Library's value becomes equals zero on the tenth year after the title's release).

The considerations mentioned above and the Company's particular type of business, intrinsically characterised by the potential to benefit from a long-term exploitation of the licenses acquired, allow us to conclude that the ten-year period used to test the Library's carrying amount for impairment appears reasonable.

The impairment test did not reveal any significant impairment losses.

The breakdown of changes in property, plant and equipment is presented in the table below.

Changes in property, plant and equipment				
(in thousands of Euro)	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**TOTAL**
Cost at the end of the period	2,255	692	579	3,526
Amortisation at the end of the period	(2,210)	(565)	(520)	(3,295)
Balance as at 31 December 2014	**45**	**127**	**59**	**231**
Previous year				
Acquisition	131	0	49	180
Depreciation	(37)	(51)	(26)	(114)
Cost at the end of the period	2,386	692	628	3,706

Amortisation at the end of the period	(2,247)	(616)	(546)	(3,409)
Balance as at 31 December 2015	**139**	**76**	**82**	**297**
Current year				
Acquisition	5	0	31	36
Depreciation	(32)	(30)	(30)	(92)
Cost at the end of the period	2,391	692	659	3,742
Amortisation at the end of the period	(2,279)	(646)	(576)	(3,501)
Balance as at 31 December 2016	**112**	**46**	**83**	**241**

There are no restrictions on ownership and title of property, plant and equipment and intangible assets.

The change and value of equity investments are shown in the table below:

Change in equity investments

(in thousands of Euro)	31 Dec. 15	increases/decreases	31 Dec. 16
equity investments in subsidiaries:			
Mondo TV France	426	10	436
Mondo TV Suisse	73	85	158
Mondo TV Iberoamerica	663	162	825
Mondo TV Toys	0	0	0
Total subsidiaries	**1,162**	**257**	**1,419**
equity investments in other companies	20	-20	0
Total equity investments	**1,182**	**237**	**1,419**

The following table provides a comparison between the carrying amount of equity investments and the relevant equity stake:

Comparison between carrying amount of subsidiaries and relevant equity stake

	31 Dec. 16 Carrying Value (A)	Equity	%	Relevant equity (B)	Difference (B) – (A)
equity investments in subsidiaries:					
Mondo TV France	436	1,477	39	576	140
Mondo TV Suisse	158	432	64	276	118
Mondo TV Iberoamerica	825	1021	72	735	-90
Mondo TV Toys	0	-99	100	-99	-99
Total subsidiaries	**1,419**	**2,831**		**1,489**	**70**

In view of the difference between the carrying value of the investment in Mondo TV Iberoamerica and attributable equity was recorded in previous years in a specific provision for risks on investments.
With reference to the investment in Mondo TV Toys, despite the uncertainty of the business of the start-up, the difference between the carrying value of the investment and the shareholders' equity was fully allocated to the provision for equity investment impairment in the year for a value of Euro 99 thousand.

For the investments in Mondo TV France S.A., Mondo TV Suisse S.A. and Mondo TV Iberoamerica S.A., the following is the summary of the market capitalisation respectively as at 31 December 2016 and the formation of the draft financial statements.

Name	% Investment	Share value 30 Dec. 2016	Number of shares	Capitalization Mkt Euro/000	MTV Mkt Share Euro/000

Mondo TV France	39%	0.12	105,699,312	12,367	4,809
Mondo TV Iberoamerica	72%	1.24	10,000,000	12,400	8,968
Mondo TV Suisse	64%	1.27	10,000,000	12,730	8,203

Name	% Investment	Share value 28 Mar. 2017	Number of shares	Capitalization Mkt Euro/000	MTV Mkt Share Euro/000
Mondo TV France	39%	0.119	105,699,312	12,610	4,891
Mondo TV Iberoamerica	72%	1.040	10,000,000	10,400	7,522
Mondo TV Suisse	64%	1.174	10,000,000	11,740	7,565

As is evident from the table above, the value of the market capitalisation is much higher than the recognition value of the investments.

Equity investments in other companies relate to unlisted minority interests of lenders and are carried at historical cost; the decrease in the year is due to the full impairment of the investment in Veneto Banca.

6 TAX ASSETS AND LIABILITIES

Deferred tax assets are recognised in financial statements to the extent they are likely to be recovered; in particular the recognition of deferred tax assets reflects the assessments made by the Board of Directors on 27 October 2016 with regards to taxable income generated by Company's operations in the near future so as to allow the recovery.

Tax losses starting from those recorded in the year 2006 no longer expire, and therefore they may be accumulated and used to an extent equal to 80% of the taxable income for IRES (Corporate Income Tax) of each year.

Changes in deferred tax assets and liabilities

(in thousands of Euro)	31 Dec. 15	Increases	Decreases	31 Dec. 16
Assets	7,625	390	(3,393)	4,622
Liabilities	141	82	0	223
Net deferred tax assets	**7,484**	**308**	**(3,393)**	**4,399**

In 2016, deferred tax assets decreased by Euro 3,393 thousand for uses (mainly those allocated on previous tax losses and allowance for doubtful debts).
New deferred tax assets mainly arising from temporary differences amounting to Euro 308 thousand were recognised.

For the economic effects relating to taxes, reference is made to note 24.

The recoverability of deferred tax assets recognised in the financial statements in the next ten years is strictly related to the actual achievement of the objectives set in the 2017-2021 Business Plan, approved by the Company's Board of Directors on 27 October 2016, characterised by the uncertainties typical of a forecast Business Plan.

The breakdown of current tax assets and liabilities is shown in the table below:

Breakdown of current tax assets			
(in thousands of Euro)	**31 Dec. 16**	**31 Dec. 15**	**Change**
IRES (Corporate Income Tax)	362	63	299
IRAP (Regional Business Tax)	339	189	150
Tax assets	3,325	6,442	(3,117)
Total tax assets	**4,026**	**6,694**	**(2,668)**

Tax receivables consist of receivables arising from the transformation of a portion of deferred tax assets in receivables in accordance with Law no. 214 of 22 December 2011.

7 TRADE AND FINANCIAL RECEIVABLES

Non-current financial receivables equal to Euro 2,778 thousand compared to Euro 307 thousand in the previous year increase due to the loans granted to the subsidiary Mondo TV Iberoamerica for the production of the Heidi series. For further information, reference is made to the Report on Operations.
Current trade receivables and other receivables are broken down in the table below:

Breakdown of trade and other receivables			
(in thousands of Euro)	**31 Dec. 16**	**31 Dec. 15**	**change**
Due from customers	21,632	10,792	10,840
Due from customers for invoices to be issued	4,511	7,986	(3,475)
Due from subsidiaries	3,473	4,806	(1,333)
Receivables due from customers for coproductions	1,612	2,957	(1,345)
Other receivables	1,049	746	303
Due from tax authorities	1,105	203	902
Allowance for doubtful debts	(3,277)	(5,734)	2,457
TOTAL	**30,105**	**21,756**	**8,349**

The relevant increase in receivables, and in particular those for invoices issued, is due to that of revenues from sales.

Receivables due from customers for invoices to be issued refer to contracts which do not satisfy the conditions for issuing invoices yet, although part of the revenue for the year has been earned. Part of the invoices was issued in the early months of 2017.

The item "Receivables due from customers for coproductions" equal to Euro 1,612 thousand represent the disbursements made for the acquisition of services required to fulfil the obligations vis-à-vis the coproducers as well as costs incurred for productions in progress. These expenses will offset revenue from customers for progress in productions (revenue totalled Euro 1,558 thousand as at 31 December 2016 and is recognised under current payables).

The allowance for doubtful debts, recognised as a deduction from trade receivables and deemed to be adequate to cover the risk of bad debts showed the following changes during the year (in thousands of Euro):

Breakdown of the allowance for doubtful debts	**31/12/2016**	**31/12/2015**
Allowance for doubtful debts as at 1 January	5,734	5,318
Allowance for the period	1,205	400
Used in the year	(3,662)	0

Other changes	0	16
Allowance for doubtful debts as at 31 December	3,277	5,734

Allocations for the year, amounting to Euro 1,205 thousand, were recognised based on a thorough analysis of all outstanding receivables and represent the Directors' best estimate, which takes into account the information available as at the date of the preparation of these financial statements and the risk of customers non fulfilling their obligations.
Uses in the period refer to allocations in previous years against credit positions which, on the basis of careful analysis, are no longer considered collectable or for which the related obligations are required.

8 OTHER ASSETS

The item under review, equal to Euro 273 thousand (Euro 353 thousand as at 31 December 2015), mainly includes costs pertaining to future years.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly consist of deposits held with banks.
Approximately Euro 892 thousand are denominated in US dollars, and translated into Euro at the year-end exchange rate.

10 EQUITY

The share capital is composed as follows:

Description	Number	Par value Euro
Ordinary shares	28,722,463	0.5
TOTAL	**28,722,463**	**14,361,232**

The number of outstanding shares increased by 2,297,635 shares in the year due to the extraordinary finance transactions with GEM Global Yield Fund Limited LCS SCS and GEM Investments America LLC and Atlas Alpha Yield Fund and Atlas Capital Markets (see paragraph *"Significant events 2016").*

In particular, regarding the agreement with GEM, on 9 March 2016, the Parent Company sent the first subscription request related to the investment agreement; as a result of the first request, GEM subscribed 1,226,339 new shares in April for a total value of Euro 5,300 thousand attributable for Euro 613 thousand to share capital and the residual amount of Euro 4,687 thousand to Share premium reserve.

As for the agreement with Atlas, in September 2016 the Company requested the issue of the first Bond tranche for a total value of Euro 4,500 thousand; the first tranche was fully converted by 31 December 2016, with the consequent issue of 1,071,296 new shares for a total value of Euro 4,500 thousand attributable for Euro 536 thousand to share capital and the residual amount of Euro 3,964 thousand to Share premium reserve.

The share capital is composed as follows:

Description	Number of shares	Par value in Euro
Ordinary shares	28,722,463	0.5
TOTAL	**28,722,463**	**14,361,231.5**

No shares other than ordinary shares exist, nor rights, privileges or restrictions for any category of shares.

The Company owns no treasury shares and the Mondo TV Group's subsidiaries do not own any shares of the Parent.

Equity reserves are broken down as follows:

Equity reserves		
(in thousands of Euro)	**31 Dec. 16**	**31 Dec. 15**
- Share premium	21,213	12,562
- Legal reserve	2,642	2,642
- Other reserves	5,806	5,978
- Retained earnings (accumulated losses)	2,009	1,470
- Profit (loss) for the year	8,644	3,005
TOTAL	**40,314**	**25,657**

The increase in the share premium provision is attributable to the extraordinary finance transaction with GEM and Atlas.

Equity items are broken down according to origin, the potential for use, and availability for distribution:

- all of the share capital and legal reserve may only be used for covering losses;
- the entire amount of share premium may be used for capital increase, for covering losses, and may also be distributed among the shareholders without this representing taxable profit for shareholders;
- no revaluation reserves exist;
- there are no reserves or other provisions, which, in case of distribution, contribute to form the Company's taxable income, regardless of the period of creation;
- there are no reserves or other provisions, which, in case of distribution, do not contribute to form the corporate taxable income, regardless of the period of creation;
- there are no reserves or other provisions incorporated in the share capital;
- the item "Other reserves" includes the reserve for the sale of shares of Mondo TV France and Mondo TV Suisse and Mondo TV Iberoamerica for Euro 6,719 thousand, the actuarial adjustment of post-employment benefits for Euro 43 thousand, the reserve for unrealized exchange rate gains of Euro 511 thousand and expenses relating to Gem and Atlas transactions for a total of Euro 1,380 thousand.

11 PROVISIONS FOR RISKS AND CHARGES AND POST-EMPLOYMENT BENEFITS

Provisions for current and non-current risks and charges			
(in thousands of Euro)	**31 Dec. 16**	**31 Dec. 15**	**change**
Post-employment benefits	**416**	**346**	**70**
Provision for returns on sales	0	23	(23)
Provision for losses on equity investments	762	661	101
TOTAL NON-CURRENT	**762**	**684**	**78**
Provision for tax audit risks	27	27	0
Other provisions	2	685	(683)
TOTAL CURRENT	**29**	**712**	**(683)**

The decrease in other current risks provisions is determined by the use made in relation to the case Moviemax Shareholders, which was defined with a total cost for Mondo TV S.p.A. of Euro 683 thousand allocated in the previous year.

Reference should be made to note 15 for a description of any risks in addition to those included in the provision for risks.

Changes in Post-employment benefits and Provisions for current and non-current risks and charges				
(in thousands of Euro)	**31/12/2015**	**Allocated**	**Used**	**31/12/2016**
Post-employment benefits	346	76	(6)	416
Provision for returns on sales	23	-	(23)	-
Provision for losses on equity investments	661	101	-	762
TOTAL NON-CURRENT	**1,030**	**177**	**(29)**	**1,178**
Provision for tax audit risks	27	-	-	27
Other risks and charges	685	-	(683)	2
TOTAL CURRENT	**712**	**-**	**(683)**	**29**

12 CURRENT AND NON-CURRENT PAYABLES

The breakdown of payables, classified by type and by due date, is reported in the tables below.

(in thousands of Euro)	**31 Dec. 16**	**31 Dec. 15**	**change**
Breakdown of trade payables			
Due to suppliers	7,879	7,553	326
Due to subsidiaries	882	838	44
Total trade payables	**8,761**	**8,391**	**370**
Breakdown of other payables			
Payables for wages, salaries and fees	133	203	(70)
Due to social security institutions	254	271	(17)
Exchange rate adjustments	101	0	101
Coproduction – temporary balance	1,558	1,692	(134)
Withholding tax on third-party remuneration	234	171	63
VAT payables	8	22	(14)
Total other payables	**2,288**	**2,359**	**(71)**
Total trade and other payables	**11,049**	**10,750**	**299**

Payables due to suppliers mainly refer to the provision of services necessary for the production and sale of film rights, as well as to the activities performed by consultants to the benefit of the Company during 2016.

As for payables due to subsidiaries, reference should be made to Report on Operations's paragraph "Related-party and intragroup transactions".

As for the "Coproduction" item, reference should be made to note 6 "Trade receivables and financial receivables".

As for financial payables, the breakdown is shown in the table below.

Breakdown of financial payables

(in thousands of Euro)	**31 Dec. 16**			**31 Dec. 15**		
Description	**Due within 12 months**	**After 12 months**	**Total**	**Due within 12 months**	**After 12 months**	**Total**
Payables for finance leases after 12 months		0	0		0	0
Due to banks for loans		580	580		217	217

Non-current payables	**0**	**580**	**580**	**0**	**217**	**217**
Bank overdrafts and loans	1,245		1,245	1,928		1,928
Current payables	**1,245**	**0**	**1,245**	**1,928**	**0**	**1,928**
Total	**1,245**	**580**	**1,825**	**1,928**	**217**	**2,145**

Non-current financial payables consist of the portion of unsecured loans and the lease fees coming due after 12 months.

The item “Bank overdrafts and loans” consists of current account overdrafts, bank advances on invoices, and on the portion of loans received, due within the next year. The portion of these loans payable after the next year is instead classified under the item “Due to banks for loans” among non-current payables.

The due dates of the liabilities as at 31 December 2016 are detailed below:

Worst case repayment date	on demand	due within 12 months	between 12 and 36 months	after 36 months	Total
Non-current financial payables	**-**	**-**	**580**	**-**	**580**
Medium and long-term financial payables	-	-	580	-	**580**
Current financial payables net of cash	**-**	**-**	**-**	**-**	**-**
Short-term financial payables due to third parties	-	-	-	-	**-**
Trade and other payables	**-**	**9,491**	**-**	**-**	**9,491**
Total as at 31 December 2016	**-**	**9,491**	**580**	**-**	**10,071**

Trade payables are recorded net of the advances from coproducers (Euro 11,049 thousand minus advances amounting to Euro 1,558 thousand), whereas the other amounts are directly taken from the net financial position.

13 OTHER LIABILITIES

They amount to Euro 3,482 thousand as at 31 December 2016 compared to Euro 1,496 thousand as at 31 December 2015. They refer in their totality to revenues for the Company’s royalty rights invoiced at the end of the year but deemed, pursuant to the revenue recognition principle adopted, to accrue in future years since the relevant media have not been delivered yet.

14 TAX POSITION

The tax periods for which the Company is still liable to audit by tax authorities are those from 2012 onward as concerns direct taxes and VAT.

In the year 2014, the Company was subject to a tax audit on the year 2010 conducted by the Tax Police Squad of the Guardia di Finanza of Rome at the conclusion of which on 31 July 2014, it was notified the final Notice of Assessment.
The formal notice of assessment highlighted several findings among which we note, by size, the alleged requalification, from a fiscal point of view, of the shareholder loans granted in 2010 and subsequent years: precisely the examination of this accounting item prompted the verifier unit to extend the tax audit also to the following years (2011 and 2012), limited to said item.

In relation to 2010, the Company received two assessment notices:

- The first notice, notified on 9 October 2015, refers to IRES for 2010. The higher tax ascertained amounted to Euro 1.1 million plus interest and penalties of the same amount and refers, at least in the main notice, to the non-declaration of positive elements for about Euro 4 million.
  The Company, while not agreeing in any way with the findings submitted, presented on 25 November 2015 application for tax settlement only to reset the amount due by separating the tax losses of the year 2005 that can no longer be carried forward. On 18 February 2016, the act of adhesion was signed at the offices of the Revenue Agency of Rome 1, by means of which the assessment was defined for IRES purposes for the year 2010, which therefore closed without any charge for Mondo TV S.p.A.

- The second notice of assessment, also notified on 9 October 2015, refers to IRAP and VAT for the year 2010. The higher IRAP ascertained is equal to Euro 0.2 million plus interest, while the higher VAT ascertained is equal to approximately Euro 0.8 million plus interest. The penalties amount to approximately Euro 1.2 million.
  The Company filed an appeal against the notice of assessment on 2 December 2015, filing at the Provincial Tax Commission of Rome on 23 December 2015 contesting both for IRAP purposes the main finding consisting in the non-declaration of positive components for about Euro 4 million and for VAT purposes the non-declaration, invoicing and recording of taxable transactions for about Euro 4 million.

In relation to the year 2011, on 20 December 2016, the Revenue Agency notified assessment notices to the Parent Company:

- The first notice refers to VAT and IRAP; the higher VAT ascertained amounts to Euro 536 thousand plus interest, while the penalties amount to Euro 603 thousand; no higher was IRAP ascertained.

  On 16 February 2017, the Company filed an appeal against the notice of assessment notified to the Revenue Agency. The first hearing at the Provincial Tax Commission is scheduled for 26 April 2017.

- The second notice refers to IRES for 2011; the higher IRES ascertained amounts to Euro 724 thousand plus interest, while the penalties amount to Euro 651 thousand.

  For this second notice, the Company submitted a request for recalculation for deduction of losses and reduction of sanctions.

In consideration of the lack of any basis in the judgement of the findings contained in the Formal Notice of Assessment (PVC) of the Guardia di Finanza as reported slavishly by the Revenue Agency in the consequent Notices of Assessment notified, the Directors also comforted by the judgement of specially appointed consultants deem scarcely likely that the Company may succumb in this dispute, the residual value of around Euro 4.7 million and therefore, consistent with the assessments made in the annual financial report as at 31 December 2015, no provision was made in the financial report as at 31 December 2016.

15 CONTINGENT LIABILITIES

As regards the risks related to ongoing disputes, not reflected among the Risks provisions as the risk of an unfavourable outcome is not considered probable and/or the amount cannot be determined, the following is noted:

- Dispute against Clan Celentano S.r.l., which convened Mondo TV S.p.A. before the Court of Milan for alleged breaches and the termination of a contract entered into between the parties for the production of an animated TV series with the tentative name of "Adrian". On 16 April 2013, the expert witness (CTU) was appointed, whose technical report was filed at the end of 2013; the outcome is substantially unfavourable with regard to the claim for compensation formulated by Mondo TV. At the hearing on 13 May 2014, Clan Celentano S.r.l. reported to have found an agreement with Sky, on which the series was to air, in order to interrupt the contract between Sky Italia and Clan Celentano, and requested to produce copy of said agreement.

  Mondo TV opposed and the Court reserved a decision adjourning the proceedings to the hearing of 11 November 2014.
  At that hearing, the Judge admitted the filing of the transaction and adjourned the proceedings for final judgement to 16 February 2016. Said hearing was adjourned until 19 July 2016.
  At the hearing on 19 July 2016, both parties specified their respective conclusions and the case was held in decision.

  The negative results of the office technical consultant do not allow at the time formulating a positive forecast on the request for compensation made by Mondo TV S.p.A., while the possibility that Mondo TV may be forced to a disbursement by way of damages is today judged by the Directors as possible.

  Regarding the extent of such damages, the actual extent of the compensation to which the Company may be subject cannot be quantified at the moment.

- Dispute against Pegasus Distribuzione S.r.l., which requested the condemnation of the Company, to pay a total amount of Euro 463 thousand for reimbursement of costs incurred for the purchase of products in relation to two sale contracts, and reimbursement of the missed quantifiable gain from a minimum of Euro 101 thousand to a maximum of Euro 169 thousand, in addition to damage to image. With the first-instance ruling on 21 January 2010, the Court of Rome rejected the petition of Pegasus Distribuzione, which challenged the aforementioned ruling. The proceedings were adjourned to 23 April 2014: no one appeared at said hearing and the proceedings were further adjourned to 23 November 2016, when the case was held in decision. At present, the risk of losing is believed to be remote.

16 COMMITMENTS

Commitments undertaken by the Company not recognised under payables or provisions for risks and charges refer to:

- a guarantee of Euro 300 thousand issued by Confartigianato Fidi in favour of Veneto Banca for a short term credit line to be used as a self-liquidating loan;
- a guarantee of Euro 162 thousand issued by Banca Popolare dell'Emilia Romagna in favour of SIMEST.

17 REVENUES FROM SALES AND OTHER OPERATING REVENUES

Revenues for sales, services and other revenues			
(in thousands of Euro)	**2016**	**2015**	**Change**
Revenue from sales of rights	12,714	7,363	5,351
Revenue from licensing	5,032	632	4,400
Revenue from production services	7,098	5,344	1,754
Total revenues from sales and services	**24,844**	**13,339**	**11,505**
Other income	**321**	**460**	**(139)**

Total revenues for sales, services and other revenues	**25,165**	**13,799**	**11,366**

Compared to the previous year, the significant increase in revenues from sales, equal to Euro 11,505 thousand in absolute terms and approximately 86% in percentage terms, is due to both sales especially in Asia and an increase in productions.
As a result of the above, productions went from Euro 5,344 thousand in the previous year to the current Euro 7,098 thousand.
Sales of licenses increased by 73% over the previous year, and went from Euro 7,363 thousand in the previous year to the current Euro 12,714 thousand.
Licensing and merchandising revenues went from Euro 632 thousand in 2015 to Euro 5,032 thousand in 2016.

18 CAPITALISATION OF INTERNALLY PRODUCED ANIMATED SERIES

The Company produces animated series in-house, incurring, in addition to external costs of direction, screenplay, animation studies and music, the internal costs as well, concerning both the pre-production and post-production phases. These costs are recognised and attributed to the series in progress. Directors recognise the series produced in-house as assets in the statement of financial position when they satisfy the definition of intangible assets in compliance with IAS 38. The Company capitalises these costs only when the costs incurred refer to the actual start of production of animated series: until then, expense incurred is recognised in profit or loss.
The item “Capitalisation of internally produced animated series” amounts to Euro 1,159 thousand for the year ended 31 December 2016 (Euro 1,138 thousand as at 31 December 2015).

19 RAW MATERIALS, CONSUMABLES AND GOODS

Costs for purchases of raw materials, consumables and goods amounted to Euro 93 thousand as at 31 December 2016, in line with 2015 costs.

20 PERSONNEL COSTS

The breakdown of this item is specified in the table below.

Personnel costs			
(in thousands of Euro)	**2016**	**2015**	**Change**
Salaries and wages	1,039	977	62
Social security costs	283	271	12
Post-employment benefits	76	70	6
Total	**1,398**	**1,318**	**80**

Post-employment benefits are recognised as a defined benefit. In order to calculate this complex liability, the Company is required to estimate the expected date of employment termination, also taking into account the demographic and financial variables that will influence the value of the obligation taken on by the Company.

The Company’s human resources are detailed by category in the table below.

	Company’s human resources (units)		
	31 Dec. 16	**31 Dec. 15**	**Average figure**
White-collar workers	22	23	23
Executives	2	1	1
Total	**24**	**24**	**24**

21 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the item is shown below:

Breakdown of depreciation and amortisation			
(in thousands of Euro)	**2016**	**2015**	**Change**
Proprietary rights	1,805	780	1,025
Temporary licenses	2,911	532	2,379
Software licenses	27	0	27
Leasehold improvements	11	14	(3)
Amortisation of intangible assets	**4,754**	**1,326**	**3,428**
Plant and machinery	32	37	(5)
Industrial and commercial equipment	30	51	(21)
Other assets	30	26	4
Depreciation of property, plant and equipment	**92**	**114**	**(22)**
Allowance for doubtful debts	**1,205**	**510**	**695**
Total	**6,051**	**1,950**	**4,101**

For further details and information, reference is made to the related section of the balance of these explanatory notes.

22 OTHER OPERATING COSTS

The item “Other operating costs” is broken down in the table below.

Other operating costs			
(in thousands of Euro)	**2016**	**2015**	**Change**
Production costs	1,850	2,446	(596)
Marketing and commercialisation costs	764	549	215
Consulting services	472	380	92
Remuneration to corporate bodies	346	332	14
Other services	1,352	1,402	(50)
Service costs	**4,784**	**5,109**	**(325)**
Equipment hire and rents	557	547	10
Costs associated with leased assets	**557**	**547**	**10**
Sundry operating costs	**363**	**217**	**146**
Allocated	**0**	**685**	**(685)**
Total	**5,704**	**6,558**	**(854)**

The lower operating costs are attributable for Euro 596 thousand to lower production costs and for Euro 685 thousand to lower provisions due to the extraordinary allocation to the provision for risks made in 2015.
The item “Marketing and commercialisation costs”, up by Euro 215 thousand, includes the marketing costs associated with the promotion and sale of property rights.

23 FINANCE INCOME AND COSTS

The table below provides a breakdown of finance income and costs.

Finance income and costs			
(in thousands of Euro)	**2016**	**2015**	**Change**
Dividends from subsidiaries	51	42	9
Other finance income	41	0	41

Total finance income	*92*	*42*	*50*
Short-term bank interest payable	(133)	(175)	42
Discounts and bank fees	(96)	(78)	(18)
Other finance costs	(3)	(42)	39
Total finance costs	***(232)***	***(295)***	***63***
Exchange rate gains	617	462	155
Exchange rate losses	(398)	(214)	(184)
Exchange rate gains and losses	**219**	**248**	**(29)**
Impairment on equity investments	**(212)**	**(34)**	**(178)**
Total finance income/(costs)	**(133)**	**(39)**	**(94)**

Exchange rate gains and losses mainly originated from changes in the exchange rate between the Euro and the US Dollar, in relation to commercial relations held in foreign currencies with customers and suppliers and bank accounts.

24 TAXES

The breakdown is shown in table below.

Breakdown of taxes		
(in thousands of Euro)	**2016**	**2015**
Previous years' taxes	(163)	82
Current taxes	(3,338)	(1,977)
Deferred tax assets and liabilities - change in rate	0	(547)
Tax assets of previous years recognised in the income statement	(1,109)	(15)
Deferred tax assets for the year	390	472
Deferred tax liabilities for the year	(82)	(98)
Prepaid (deferred) taxes	(801)	(188)
Taxes for the year	**(4,302)**	**(2,083)**
IRES (Corporate Income Tax)	(3,656)	(1,773)
IRAP (Regional Business Tax)	(646)	(310)
Taxes for the year	**(4,302)**	**(2,083)**

Reconciliation of taxes		
(in thousands of Euro)	**2016**	**2015**
Pre-tax income	12,946	5,088
IRES (Corporate Income Tax) at the current rate	(3,560)	(1,399)
Tax effect of permanent differences for IRES (Corporate Income Tax)	357	(68)
Adjustments to net deferred tax assets for IRES (Corporate Income Tax)	(290)	(388)
IRES (Corporate Income Tax)	**(3,493)**	**(1,855)**
IRAP (Regional Business Tax)	**(646)**	**(310)**
Adjustment of prior year taxes	**(163)**	**82**
Total income tax expense for the year	**(4,302)**	**(2,083)**

25 DIVIDENDS

In 2016, an ordinary dividend of Euro 0.04 per share was resolved and distributed and in December an extraordinary dividend for shares in the subsidiary Mondo TV Iberoamerica S.A., together with a cash part, was resolved and distributed.

26 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share attributable to the Company's shareholders are obtained by dividing the profit (or the loss) by the number of shares.

Calculation of basic and diluted earnings (losses) per share	**2016**	**2015**
Average number of shares during the year	27,499,428	26,424,828
Profit (loss) for the year (in thousands of Euro)	8,644	3,005
Basic and diluted earnings (losses) per share	**0.31**	**0.11**

The diluted earnings per share as at 31 December 2016 corresponds to the basic earnings per share since there are no dilution effects.

27 FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist in credit lines and bank loans, finance leases and on-demand bank deposits.
Such instruments are aimed at financing the Company's operations. The Company has various other financial instruments, such as trade payables and trade receivables deriving from operations. The main risks generated by the Company's financial instruments are:

1. Credit risk
2. Liquidity risk
3. Exchange rate risk
4. Interest rate risk.

Credit risk

Credit risk represents the exposure to potential losses arising from the non-fulfilment of the obligations assumed by the counterparties.
Already in previous years, Mondo TV adopted appropriate procedures, such as the verification of debtors' solvency, to minimise the exposure to this risk.
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
If significant, the positions, for which a risk of partial or total non-collectability is noted, are subject to individual impairment.

On 31 December 2016, trade receivables amounted to Euro 29,616 thousand, of which Euro 4,376 thousand past due by more than 12 months. An allowance for doubtful debts of Euro 3,277 thousand was recognised in relation to these receivables.

Performing trade receivables have not been impaired since no significant indication of impairment emerged, based on an analysis conducted that took into account both the reliability of the individual customers, and the high distribution of credit risk.

Liquidity risk

Liquidity risk represents the risk that the financial resources might not be available or may be available at a cost so high that profit (loss) for the year may be affected.

In this regard, in order to be best protected against these risks, the Company adopts a policy for the optimization of the debt mix between short and medium/long-term and, as part of the short-term lines, a policy for diversification of the banking lines and institutions.

The following table shows the breakdown of Mondo TV's credit lines made available by banks as at 31 December 2016:

	CREDIT LINES - MONDO TV SPA - 31 DEC. 2016			
	Credit lines			
	Cash	Trade	Loans	Total
Intesa SanPaolo	0	0	0	0
FINNAT	0	0	0	0
CREDEM	0	0.4	0	0.4
Banca Sella	0	0	0	0
CREDEM FACTORING	0	1	0	1
Simest	0	0.2	0	0.2
Credemleasing	0	0	0	0
Veneto Banca	0	0.5	0	0.5
Total	**0**	**2.1**	**0**	**2.1**

Exchange rate risk

The Company is exposed to the exchange rate risk due to the recognition of currency transactions (in United States dollars) generated by investments and sales.
The exchange rate risk is managed by keeping part of cash in US dollars, normally enough to settle the debts and commitments in dollars.
As at 31 December 2016, it had net assets denominated in US dollars totalling USD 10,055 thousand; if the Euro/Dollar exchange rate as at 31 December 2016 had been 10% lower, foreign currency gains of Euro 956 thousand would have been recorded, while if the exchange rate had been 10% higher, a foreign currency loss of Euro 956 thousand would have been recorded.

Interest-rate risk

The interest rate fluctuations influence the cash flows, the market value of the Company's financial assets and liabilities, and the level of the net finance income (costs).

The loans are at floating rates, in particular the Euribor plus a variable spread from 2.5% up to Euribor +7% for some marginal lines.
Considering its financial exposure, Mondo TV is subject to the interest rate risk to a modest extent.

Risks associated with dependency on key managers

Some members of the Corradi family have strategic importance for the Company and the Group. The possible lack of their professional contribution could undermine the competitiveness of the Mondo TV Group and have negative repercussions on the economic, capital and financial situation.
In fact, some members of the Corradi family have a significant role in the management of the business of the company Mondo TV S.p.A. and in the development of its products.
The members of the Corradi family have not entered into sole-agency or non-compete agreements with the Company.

Risks associated with litigation

Reference is made as outlined in the Report on Operations and paragraphs on the fiscal position and contingent liabilities of these explanatory notes.

28 REMUNERATION TO CORPORATE BODIES AND EXECUTIVES

During the year ended 31 December 2016, the Board of Directors earned remuneration net of social security costs of Euro 257 thousand as resolved by the Company's Ordinary Shareholders' Meeting on 30 April 2015 and by the Board of Directors' meeting of 01 October 2016. Remuneration is broken down as follows:

(Thousands of Euro)	**31/12/2016**	**31/12/2015**
Remuneration	257	250
Post-employment benefits	-	-
Other long-term benefits	-	-
Indemnities for the termination of employment	-	-
Stock options	-	-
TOTAL	**257**	**250**

The annual remuneration owed to the members of the Company's corporate bodies for their various roles and to other managers holding key positions is also detailed in the table below in Euro thousands; the impact on income statement for the relevant period is shown in the paragraph regarding transactions with related parties.

Breakdown of the remuneration due to the current corporate bodies' members			
Surname	**Name**	**Office held**	**Annual remuneration**
Corradi	Orlando	Chairman of Mondo TV S.p.A.	80
Corradi	Monica	Board Member of Mondo TV S.p.A.	83
Corradi	Matteo	Board Member of Mondo TV S.p.A.	66
Figliuzzi	Francesco	Board Member of Mondo TV S.p.A.	3
Martinelli	Marina	Board Member of Mondo TV S.p.A.	14
Marchetti	Carlo*	Board Member of Mondo TV S.p.A.	109
Ferrari	Marcello	Chairman of the Board of Statutory Auditors of Mondo TV S.p.A.	11
Barra	Adele	Member of the Board of Statutory Auditors of Mondo TV S.p.A.	8
Romani	Vittorio	Member of the Board of Statutory Auditors of Mondo TV S.p.A.	8
TOTAL			**382**

*Of which Euro 97,000 as executive compensation and Euro 12,500 as Director

Such remuneration includes the fees and any other sum due for the performance of the roles of Director or Statutory Auditor in the Parent, that represented a cost for the Company.

It is hereby specified that no indemnity shall be granted to Directors in case of early termination of the employment relationship.

No succession plan is envisaged for executive Directors.

There are no managers with strategic responsibilities.

29 REMUNERATION OF THE INDEPENDENT AUDITOR

As required by art.149-duodecies of the CONSOB Issuers' Regulation, the fees recorded by the Company in relation to the audit services during 2016 and amounting to Euro 55 thousand, are shown below. Not only audit services were provided during the year.

Type of service	Service provider	Recipient	Remuneration	Period
Audit	BDO Italia S.p.A.	Mondo TV S.p.A.	55	2016
Fairness opinions	BDO Italia S.p.A.	Mondo TV S.p.A.	50	2016
Total remuneration			**105**	

30 INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of trade receivables and other financial assets, of trade and other payables and of other financial liabilities does not diverge from the carrying amounts as at 31 December 2016 since it mainly refers to assets underlying commercial dealings which are expected to be settled in the short term.
Non-current financial assets and liabilities are settled at market rates and therefore their fair value is essentially deemed to be in line with the current market value. Therefore, there are no differences between their fair value and their carrying amount.

31 ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication DEM/6064293 of 28 July 2006 “Disclosure for listed issuers and issuers of financial instruments widely distributed among the public pursuant to art. 116 of the Consolidated Law on Finance (TUF, Testo Unico sulla Finanza) – Requirements pursuant to art. 114, par.5, of Italian Legislative Decree 58/98”, it is noted that:

- no non-recurring transactions or non-recurring events, or transactions or events that do not recur frequently in the normal performance of operations took place;
- no atypical and/or unusual transactions were carried out.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

To date, there have been no events after 31 December 2016 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the financial statements.

In March 2017, the subsidiary Mondo TV Iberoamerica signed with Alianzas Produciones a contract for the second and third season of the live fiction *“Heidi”*, which, with a total investment of USD 8 million, is one of the most important assets for the Group as well as one of the most important growth drivers for the coming years.

On 10 March 2017, the second and third bonds tranches were issued under the contract concluded between Mondo TV S.p.A. and Atlas.
The second tranche relates to 12 Bonds, for a total value of Euro 3 million while the third tranche relates to 18 bonds for a total value of Euro 4.5 million; these resources will allow accelerating the business plan and will be used to finance the further growth of the Mondo TV Group over the next few years.

PROPOSAL FOR THE ALLOCATION OF PROFIT (LOSS) FOR THE YEAR

With reference to the profit for the year of Euro 8,643,857, it is proposed to allocate Euro 204,602 to unrealized foreign exchange gains reserve and to carry forward the remainder.

* * * *

The Board of Directors’ meeting of 29 March 2017 authorised the publication of these financial statements.

On behalf of the Board of Directors of Mondo TV S.p.A.
Chief Executive Officer

____

(Matteo Corradi)

Certification of the financial statements as at 31 December 2016 in compliance with art. 154-*bis*, par.5, of Italian Legislative Decree 58/1998 as subsequently amended and supplemented

1. The undersigned Matteo Corradi and Carlo Marchetti, in their respective capacities as CEO and Head of Financial Reporting of Mondo TV S.p.A. (the "**Company**" or the "**Issuer**") certify, also taking into account the provisions of art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree 24 February 1998, no. 58:

- the adequacy in relation to the characteristics of the Company and
- the effective implementation of the administrative and accounting procedures for the preparation of the separate financial statements as at 31 December 2016.

2. No significant aspects have emerged.

3. It is also certified that:

3.1 the financial statements as at 31 December 2016:

– were prepared in accordance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) 1606/2022 of the European Parliament and Council, of 19 July 2002;

- are consistent with the entries in accounting books and records;

- were drafted in compliance with art. 154-*ter* of the aforementioned Italian Legislative Decree 58/1998 as subsequently amended and supplemented, provide a true and fair view of the financial position, financial performance and cash flows of the Issuer and of the companies included in the scope of consolidation.

3.2 The Report on Operations includes a reliable analysis of the performance and the results of operations, as well as of the Issuer's general situation, together with a description of the main risks and uncertainties to which it is exposed. The Report on Operations also includes reliable disclosure on significant transactions with related parties.

This certification is also provided to the intents and purposes of art. 154-*bis*, par.2, of Italian Legislative Decree 58 of 24 February 1998.

Rome, 29 March 2017

Chief Executive Officer	Head of Financial Reporting
Matteo Corradi	Carlo Marchetti

ANNEXES

1 CORPORATE BODIES AND COMMITTEES OF THE PARENT

Board of Directors

Chairman
Orlando Corradi
Chief Executive Officer
Matteo Corradi
Directors
Monica Corradi
Marina Martinelli - Independent Director
Francesco Figliuzzi - Independent Director
Carlo Marchetti

Internal Control Committee

Chairman
Francesco Figliuzzi
Members
Marina Martinelli

Remuneration Committee

Chairman
Marina Martinelli
Members
Francesco Figliuzzi

Investor Relator

Matteo Corradi

Board of Statutory Auditors

Marcello Ferrari (Chairman)
Adele Barra
Vittorio Romani

Independent Auditors

BDO Italia S.p.A.

Sponsor and Specialist

Intermonte

2 POWERS AND CORPORATE GOVERNANCE

Powers

Mondo TV S.p.A. appointed as the Chief Executive Officer Matteo Corradi, with all the powers for the ordinary and extraordinary administration of the Company, excluding only those that are strictly reserved to the Board of Directors by law, as well as the transactions having a significant impact in terms of performance, financial position and cash flows, and all transactions with related parties.

Corporate Governance

The Corporate Governance system, still being implemented, is inspired by the recommendations provided by the relevant committee of listed companies that drafted the Corporate Governance Code as well as by the subsequent legal provisions on the governance of listed Companies.
The Company is directed by a ***Board of Directors*** currently consisting of 6 members, as resolved by the Shareholders' Meeting of 30 April 2015.
Mondo TV S.p.A.'s Board of Directors is the body responsible for defining the strategic, organisational, and operational policies, as well as verifying the existence and adequacy of the control systems necessary to assess the performance of the Parent and of the subsidiaries. In particular, the Board of Directors:

- delegates powers and duties to the Directors and revokes them;
- determines, having consulted the Board of Statutory Auditors, and at the proposal of the Remuneration Committee, the Directors' remuneration in conformity with art. 2389 of the Italian Civil Code par.3;
- examines and approves the strategic plans of the subsidiaries and the corporate structure of the Group;
- supervises whether operations are properly conducted and specifically approves the transactions of particular interest in terms of performance and financial position;
- assesses whether the general organisational and administrative structure is adequate;
- supervises in particular any actual or potential conflict of interest and the transactions with related parties;
- reports to the shareholders in the Shareholders' Meeting.

The Articles of Association in force reserve to non-controlling interests the right to appoint a Director.

The Board of Directors is quorate when the absolute majority of the Directors in office is present, and resolutions are passed with the favourable vote of the majority of those present. In case of a tie vote, the chairman of the meeting shall cast the deciding vote.
The Board of Directors' meeting of 12 May 2015 appointed both the Internal Control Committee and the Remuneration Committee.

The duties of the ***Internal Control Committee*** are as follows:

- assess the adequacy of the Company's internal control procedures;
- examine and select the proposals from Auditing Firms to be appointed as Independent Auditors, submitting a recommendation to the Board;
- submit every six months a report to the Board on its work and the internal control proposals resolved upon;
- engage in all relationships with the Independent Auditors and perform any other duty delegated to it for that purpose by the Board of Directors.

The duties of the ***Remuneration Committee*** consist in making proposals on the remuneration of the

members of the Board of Directors.
All members of the Control Committee and of the Remuneration Committee are non-executives, and are also independent pursuant to the Corporate Governance Code.

The Chairman and the Chief Executive Officer define the remuneration of subordinates within the scope of their delegated powers.
The Chairman of the Board of Directors is responsible for calling the board's meetings, setting their agenda beforehand, coordinating the activities of the Board, and chairing the meetings.
During the formal and informal Board of Directors' meetings, the Chairman ensures that each member of the Board of Directors and of the Board of Statutory Auditors has as much information as possible on the Company's operations and, in particular, on the Chairman activities in carrying out his duties.
During each meeting, the Board of Directors appoints, from time to time, a minute taker.

In accordance with the Articles of Association, the ***Board of Statutory Auditors*** consists of three standing auditors and of two alternate auditors appointed by the Shareholders' Meeting, which also establishes their remuneration.
The Articles of Association in force reserve to the non-controlling interest the right to appoint a standing auditor and an alternate auditor.
The board is appointed through the presentation of lists. Those shareholders who, alone or together with others, represent at least 2% of voting rights, have the right to present lists.
The lists presented must be deposited along with the curricula vitae of the candidates at the registered office at least ten days before the date scheduled for the Shareholders' Meeting on first call.
The statutory auditors are aware that they must:

- act autonomously and independently also when dealing with the shareholders who appointed them;
- work only in the Company's interests;
- monitor how the Board of Directors manages the Company;
- coordinate with the Independent Auditors and the Internal Control Committee.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 29 April 2014 and will remain in office until the Shareholders' Meeting that will approve the financial statements as at 31 December 2016.

The ***Investor Relations*** department, currently headed by the Board Member Matteo Corradi, was set up to facilitate the dialogue between the Company, shareholders and institutional investors.
The same Director is also specifically responsible for ensuring that the documents and information regarding the Company, in particular those that are price sensitive, are disclosed to the public in compliance with the instructions provided by CONSOB with regulation 11971 and by Borsa Italiana.

At least every six months, the Company arranges meetings with the financial community, during which it illustrates the results obtained and its future strategies, and it holds bilateral meetings with institutional investors whenever requested.

In the period from 1 January to 31 December 2016, the Board of Directors met 13 times. The Articles of Association do not provide for a minimum frequency of the Board of Directors' meetings. The delegated bodies have reported to the Board of Directors during the aforementioned meetings and in any case with the minimal quarterly frequency required by the Corporate Governance Code. The Directors were informed on the items on the agenda with sufficient prior notice.

The current Board of Directors of Mondo TV S.p.A. will remain in office until the approval of the financial statements as at 31 December 2017, as resolved by the Shareholders' Meeting of 30 April 2015.

On 28 March 2008, the Parent's Board of Directors also implemented an organisational model pursuant to Italian Legislative Decree 231/2001, which governs the administrative liability of legal entities, companies and associations, and indicates the rules and procedures to be complied with while carrying out the Company's operations for a more correct and efficient management, also with the aim of relieving the Company from any liability under the aforementioned law. The organisational model requires the adoption of a code of ethics, which is available on the Company's website. A Supervisory Body, consisting of three members of the Parent's Board of Directors, verifies the execution and implementation of the model.

3 CORPORATE BODIES OF THE SUBSIDIARIES

Mondo TV Suisse S.A.	Board of Directors Yvano Dandrea (Chair) Valentina La Macchia Paolo Zecca Matteo Corradi Alexander Manucer
Mondo TV Toys S.A.	Board of Directors Yvano Dandrea (Chair) Valentina La Macchia Carlo Marchetti Matteo Corradi
Mondo TV France S.A.	Directors Matteo Corradi (Chairman) Eve Baron Carlo Marchetti Fabrizio Balassone
Mondo TV Iberoamerica S.A.	Jesus Timoteo Maria Bonaria Fois Matteo Corradi Carlo Marchetti Patricia Motilla José Ramon
Mondo TV Producciones Canarias S.L.U.	Maria Bonaria Fois Matteo Corradi Enrico Martinis

4 LIST OF THE EQUITY INVESTMENTS IN THE SCOPE OF CONSOLIDATION

List of the equity investments held as at 31/12/2016	
Name	**Mondo TV Suisse S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31 December 2016	CHF 432,006
Profit (loss) for the year 2016	CHF 18,874
Ownership interest	64%

Name	**Mondo TV France S.A.**
Registered Office	Paris (France)
Share capital	Euro 1,100,000
Equity as at 31 December 2016	Euro 1,477,187
Profit (loss) for the year 2016	Euro (558,273)
Ownership interest	39%

Name	**Mondo TV Iberoamerica S.A.**
Registered Office	Madrid (Spain)
Share capital	Euro 500,000
Equity as at 31 December 2016	Euro 1,020,827
Profit (loss) for the year 2016	Euro 425,222
Ownership interest	72%
Name	**Mondo TV Producciones Canarias S.L.U.**
Registered Office	Tenerife (Spain)
Share capital	Euro 3,006
Equity as at 31 December 2016	Euro 91,889
Profit (loss) for the year 2016	Euro 88,883
Ownership interest	72% (indirect investment)
Name	**Mondo TV Toys S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31 December 2016	Euro (106,680)
Profit (loss) for the year 2016	Euro (206,680)
Ownership interest	100%

5 LIST OF RELATED PARTIES

Trilateral Land S.r.l.	Company managed or owned by a related party
Orlando Corradi	MTV Controlling shareholder - Director
Matteo Corradi	Director MTV, MFR, MSUISSE, MIBEROAMERICA, MCANARIAS
Monica Corradi	MTV Director
Francesco Figliuzzi	MTV Director
Marina Martinelli	MTV Director
Carlo Marchetti	MTV and MFR Director