Companies' Register and Tax Code 07258710586
Rome Business Register at No. 604174

Mondo TV S.p.A.

Share capital €2,202,069 - fully paid-in

Registered office	Via Brenta 11- Rome, Italy
Other offices	Via Montenero 42 - 44 Guidonia (Rome)
	Via G. D. Romagnosi 20 – Rome
	Via M. Gioia 72 – Milan
	Palmaille 124 b – Hamburg, Germany
	Langenfelden Str 45a – Hamburg, Germany
	52, Rue Gérard – 75013 Paris, France
	C/ Ríos Rosas, 36, 3° izq. Madrid, Spain
	400 Royal Lane, Irving, Texas, USA

Consolidated Report 2008

Approval: Board of Directors' Meeting of April 9, 2009

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1. REPORT ON OPERATIONS

1.1 FINANCIAL HIGHLIGHTS

Consolidated Balance Sheet

(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**		**% diff.**
Non-current assets	**49,575**	**55,365**	**-5,790**	**-10%**
Working capital	33,545	33,341	204	**1%**
Current liabilities	-34,398	-34,936	538	**-2%**
Net working capital	**-853**	**-1,595**	**742**	**-47%**
Non-current liabilities	**-1,504**	**-2,974**	**1,470**	**-49%**
Net invested capital	**47,218**	**50,796**	**-3,578**	**-7%**
Net liquidity/(debt)	-26,982	-15,751	-11,231	**71%**
Equity	**20,236**	**35,045**	**-14,809**	**-42%**
Equity attributable to minority interest	1,627	4,772	-3,145	**-66%**
Equity attributable to shareholders of the Parent	**18,609**	**30,273**	**-11,664**	**-39%**

Consolidated Income Statement

(thousands of euros)	**2008**		**2007**		**2008-2007**	**% diff.**
Revenues	38,003		44,698		-6,695	-15%
Operating expenses	-37,231	-98%	-37,743	-84%	512	-1%
EBITDA	**772**	**2%**	**6,955**	**16%**	**-6,183**	**-89%**
Amortization, depreciation, impairments and provisions	-16,877	-44%	-17,188	-38%	311	-2%
EBIT	**-16,105**	**-42%**	**-10,233**	**-23%**	**-5,872**	**57%**
Net financial income/(expense)	-1,857	-5%	-734	-2%	-1,123	153%
Pre-tax income/(loss) for the period	**-17,962**	**-47%**	**-10,967**	**-25%**	**-6,995**	**64%**
Income taxes	2,613	7%	2,309	5%	304	13%
Net income/(loss) for the year	**-15,349**	**-40%**	**-8,658**	**-19%**	**-6,691**	**77%**
Net income/(loss) attributable to minority interest	-3,686	-10%	-3,338	-7%	-348	10%
Group net income/(loss) for the period	**-11,663**	-31%	**-5,320**	**-12%**	**-6,343**	**119%**
EPS	**-2.6483**		**-1.2080**		**-1.4403**	

Analysis of consolidated net debt/(liquidity)

(thousands of euros)	Dec 31, 2008	Dec 31, 2007	Increase/(Decrease)
Cash and cash equivalents	2,173	3,275	-1,102
Readily convertible securities	41	204	-163
Current financial receivables	0	47	-47
Current financial payables	-29,576	-17,195	-12,381
Short-term shareholder loans	0	-597	597
Net short-term (debt)/liquidity	**-27,362**	**-14,266**	**-13,096**
Medium-/long-term shareholder loans	-223	-1,716	1,493
Long-term loans and receivables	0	-14	14
Non-current portions of medium-/long-term debt	**-223**	**-1,730**	**1,507**
Net debt in accordance with CONSOB Ruling DEM/6064293	**-27,585**	**-15,996**	**-11,589**
Medium-/long-term third-party receivables	603	245	358
Net (debt)/liquidity	**-26,982**	**-15,751**	**-11,231**

Key financial ratios

	2008	2007
ROI (EBIT/invested capital)	-34.11%	-20.15%
ROS (EBIT/revenues)	-42.38%	-22.89%
ROE (net profit/(loss)/equity)	-62.67%	-17.57%
Ratio of equity to non-current assets	0.44	0.69
Debt/equity ratio	1.45	0.52

The items shown in the above reclassified financial statements derive partly from the statutory financial statements included below, and partly from aggregated amounts. The composition of the latter and references to the notes to the statutory financial statements are as follows.

Working capital: this item consists of the sum of closing inventories, trade receivables, tax assets and other assets.

Current liabilities: this item consists of the sum of trade payables, tax liabilities and other liabilities.

Non-current liabilities: this item consists of the sum of provisions and deferred tax liabilities.

Net liquidity/(debt): this item consists of the sum of loans and receivables, cash and cash equivalents and current and non-current borrowings.

Revenues: this item consists of the sum of revenues and services, other income and changes to inventories.

Operating expenses: this item consists of the sum of raw and consumable materials and goods for resale, labor costs and other operating expenses.

Amortization and depreciation, impairments and provisions: this item derives from the sum of amortization and impairments of intangible assets, depreciation and impairments of property, plant and equipment and provisions for doubtful accounts.

Short-term borrowings and short-term shareholder loans: these two items are combined in the statutory financial statements. Details of their composition are shown in note 11.

Long-term borrowings and long-term shareholder loans: these two items are combined in the statutory financial statements. Details of their composition are shown in note 11.

1.2 GENERAL REVIEW

The Group's consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) since publication of the quarterly report for the three months ended March 31, 2005.

In application of European Regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements of the Mondo TV Group as of and for December 31, 2008 have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB), and endorsed by the European Commission, including the related interpretations (the Standing Interpretations Committee - SIC and the International Financial Reporting Interpretations Committee - IFRIC).

The consolidated financial statements include the financial statements for Mondo TV S.p.A. and any Italian or foreign subsidiaries Mondo TV S.p.A. directly or indirectly controls.

The operating performance is summarized in the following table:

Consolidated Income Statement

(thousands of euros)	2008		2007		2008-2007	% diff.
Revenues	**38,003**		**44,698**		**-6,695**	**-15%**
EBITDA	**772**	**2%**	**6,955**	**16%**	**-6,183**	**-89%**
EBIT	**-16,105**	**-42%**	**-10,233**	**-23%**	**-5,872**	**57%**
Pre-tax income/(loss) for the period	**-17,962**	**-47%**	**-10,967**	**-25%**	**-6,995**	**64%**
Net income/(loss) for the year	**-15,349**	**-40%**	**-8,658**	**-19%**	**-6,691**	**77%**
Group net income/(loss) for the period	**-11,663**	**-31%**	**-5,320**	**-12%**	**-6,343**	**119%**

The items shown in the above reclassified financial statements derive partly from the statutory financial statements included below, and partly from aggregated amounts. The composition of the latter and references to the notes to the statutory financial statements are as follows.

Revenues: this item consists of the sum of revenues and services, other income and changes to inventories.

EBITDA: this item consists of the sum of revenues and services, other income and changes to inventories, from which raw and consumable materials and goods for resale, labor costs and other operating expenses are deducted.

Compared with the previous year, the decrease in revenues of 6.7 million euros (down 15 %) derives from a reduction in turnover generated by the Parent Company, Mondo TV, and the subsidiary, Mondo Home Entertainment.

Regarding **Mondo TV SpA,** this reduction is due to falling sales in connection with the economic downturn in the second half of 2008, the new credit management policy, which means that customers with lower credit ratings are required to settle before materials are delivered, and postponement of completion of the production of KIM until the first quarter of 2009, amounting to 0.5 million euros.

Regarding **Mondo Home Entertainment SpA,** the reduction is due to a decrease in home video sales, compounded by the high number of returns during the year.

This reduction was partially offset by the increase in turnover generated by the indirect subsidiary, Moviemax Italia S.r.l.

Operating expenses fell by a total of around 0.5 million euros (down 1%). Consequently, EBITDA decreased from 7 million euros to just under 0.8 million euros (down by around 89%).
The sharp fall in EBITDA was primarily due to the decrease in sales revenues.

EBIT was negatively affected by amortization, depreciation, impairments and provisions amounting to 16.9 million euros compared with the 17.2 million euros of the previous year, representing a total decrease of 0.3 million euros (down 2%).

The decrease in amortization of the library was greater than the fall in revenues deriving from the library's exploitation, due to the impairment of certain library titles amounting to around 3.4 million euros.
This impairment was necessary after the Group revised down forecast sales of certain library titles due to falling sales.

Receivables amounting to around 1.5 million euros were also written down, resulting in the substantial elimination of amounts due from third parties beyond 12 months.

Due to a decrease in revenues and impairment of the library, the Group reported a net operating loss of 16.1 million euros compared with a loss of 10.2 million euros in the previous year.
Due to borrowings undertaken to finance substantial investments the Group incurred financial expense of around 1.9 million euros, compared with 0.7 million euros in 2007.
Net deferred tax assets of 2.6 million euros primarily relate to tax assets registered by the subsidiary, Mondo Home Entertainment, on the loss reported for the year.

The Company is confident that, due to corrective measures already implemented and the particular nature of the events that negatively impacted 2008, the consolidated income statement will substantially return to breakeven from next year.
The 2009 budget forecasts an increase in revenues, especially in the animation sector, whilst the cinema and home video sector, in which the Mondo Home Entertainment Group operates, is expected to see an overall decrease in earnings due to concentration on business segments with higher margins.
As a result of the above factors, revenues of 41.9 million euros are forecast for 2009, up by around 10% compared with 2008.
Operating expenses of 28.2 million euros are forecast for 2009 (down 24%), a substantial reduction compared with 2008.
The bulk of this reduction is expected to derive from the Mondo Home Entertainment Group, due to initiatives to cut fixed and variable costs that were partially implemented during the last part of 2008 and are set to continue during 2009, and lower projected costs for launching new films.
Consequently, EBITDA is forecast to stand at 13.6 million euros in 2009, compared with the 0.9 million euros reported in 2008.
Amortization and depreciation totaling 11.0 million euros is forecast for 2009, compared with the 16.7 million registered in 2008. The 5.7 million euro reduction derives from the absence of impairment losses, the lower total value of the library to be amortized and provisions for doubtful accounts that are back to normal levels.
EBIT of 2.6 million euros is therefore forecast for 2009, compared with negative EBIT of 15.8 million euros in 2008.
Net financial expense of around 1.1 million euros is forecast for 2009, compared with the 1.9 million euros registered in 2008, due to lower interest rates and the absence of foreign exchange losses, which totaled 0.4 million euros in 2008.
After income taxes amounting to approximately 1 million euros and the attribution of net income to the minority interest,

the consolidated budget for 2009 forecasts a small profit.

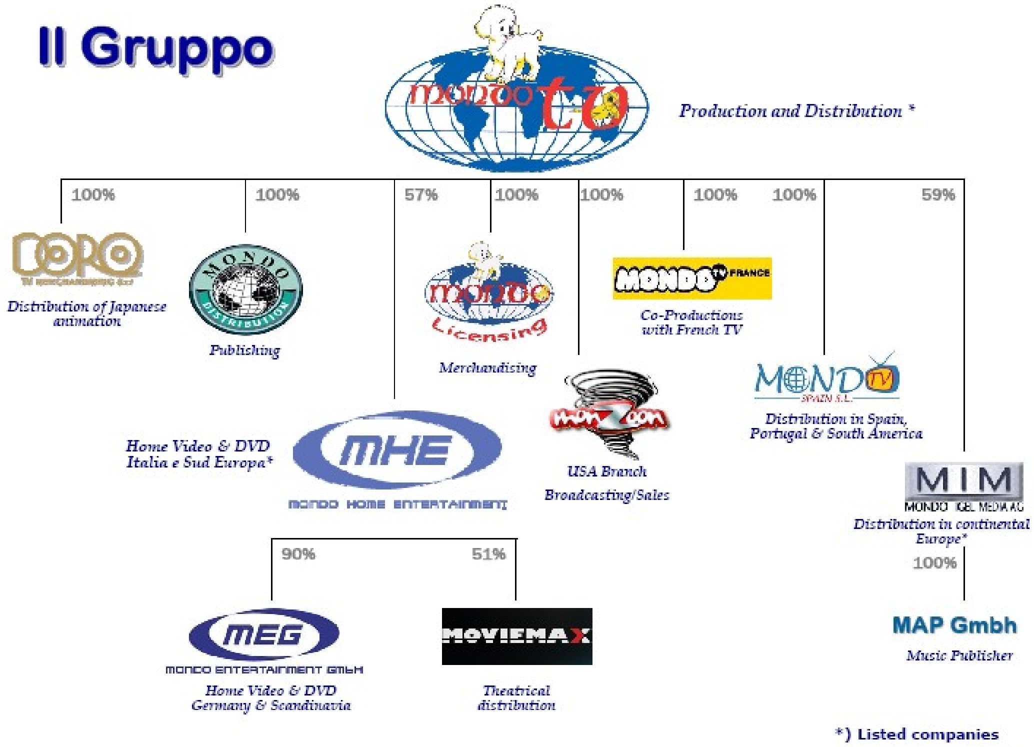
1.3 OPERATING ENVIRONMENT AND PERFORMANCE

The Group produces and distributes animated television series and feature-length cartoons. For more than five years Mondo TV has been expanding into other related sectors of the market, principally including, especially with regard to the future, the exploitation of its rights through licensing and merchandising.

The Group's strategic objectives for the animation sector are to expand the current library available for sale, especially via co-productions with third parties, to increase library sales by strengthening the sales network and to seek out new markets and business channels. In the cinema and home video sector, on the other hand, it is deemed strategically advisable to cut costs and concentrate on exploiting full rights, regarding which the sale of television rights for both pay TV and free TV are vitally important.

The economic situation steadily deteriorated during 2008, tipping into recession in the last quarter of the year. GDP for 2008 as a whole was down 1%, whilst GDP for the fourth quarter was off 2.6%.
Low advertising revenue had a negative effect on the volume of new investments by mainstream TV broadcasters, whilst on the other hand Mediaset's foray into the pay TV segment, with the opening of three new dedicated channels (Joy, Mya and Steel), was an important event.
Indeed, the appearance of a new operator in the sector has broken Sky's monopoly, thus generating greater demand for content and keener competition amongst TV broadcasters wanting to buy up rights.
The difficult trading environment affected all Group activities, especially the licensing of television rights for animation products and home video distribution, regarding rentals and sales.

Since 2003 the Group has continued to better define its structure, as well as the strategic mission of each Group company. The activities of the main Group companies are described below.



The Parent Company, **Mondo TV S.p.A.**, has reinforced its role as the "treasurer", committed to the creation of rights and, to a lesser extent, to the purchase of both television rights and those relating to ancillary and related sectors.

Doro TV Merchandising S.r.l. has continued to act as the distributor to regional broadcasters.

Mondo Home Entertainment S.p.A. has consolidated its position as a leading operator in the Italian video and DVD market, distributing titles forming part of Mondo TV's library as well as purchasing live and animation products from third parties. Moreover, the company has carved out an extraordinary role for itself within the Group by consolidating its position in the Italian home video distribution segment (VHS/DVD), thanks to the Parent Company, Mondo HE, which directly manages large-scale normal trade retail and newsagent channels, as well as operating in direct VOD (video on demand) sales.

Mondo Distribution S.r.l. was set up in January 2003 in order to take over activities relating to the publishing of stickers and sticker albums first carried out by the Parent Company and subsequently handled by Mondo Licensing. Since 2005 "Mondo Japan", a magazine specializing in Japanese cartoons, has also been published.

Mondo Licensing S.r.l.'s mission is to position itself in the indirect marketing market.

Given that the German market is the most important in Europe, the natural mission of the subsidiary, **M.I.M. Mondo IGEL Media A.G.** (59.11% owned and listed on Hamburg's start-up market), is to further establish the Group in German language markets.

The role of **Moviemax Italia S.r.l.**, in which a controlling interest was acquired via Mondo Home Entertainment in 2006, is to operate in the film distribution market, handling both Group and third-party titles. Regarding the titles for which it holds, or will hold, full rights, the company directly deals with film exploitation and television sales (free and pay), whilst it manages home video distribution via the parent, Mondo HE. Television distribution takes the form of the concession and/ or licensing of television rights relating to the titles in the Company's library. The principal purchasers are both private and public television broadcasters operating over the airwaves, via cable and via satellite. The demand for quality products such as those offered by the Company has tremendous growth potential. The development of new technologies in the multimedia communications field should open up new markets and/or niches for the Company's products.

Mondo TV France SASU will produce and co-produce animated television series for French television channels and, on the strategic front, allow the Mondo TV Group to expand its operations in France and in French language markets.

Mondo Entertainment Gmbh will initially exploit the Group's home video segment media content in German speaking countries. The company will also acquire content to make DVDs for these countries, both international and with German localization. Finally, it will market third-party audio and video products in these countries.

MAP Music & Pictures Gmbh exploits Group-owned musical rights in Germany.

Mondo TV Spain S.L. sells television rights for Group library titles in Spain, Portugal and South America, as well as producing and co-producing animated television series for television broadcasters operating in Spanish and Portuguese.

The company, which was incorporated in 2008, started operating during the second quarter of the year.

Mondo TV Kids Inc. provides a digital terrestrial channel using Group library titles, to be offered to US networks in exchange for a percentage of advertising revenues.

The company has yet to start operations. Negotiations with leading US network operators regarding broadcasting the channel are at an advanced stage.

Group sectors and companies are illustrated below:

The following strategies will be developed.

Regarding the animation sector, the key element of the new strategic plan is the production of top-quality, saleable titles with licensing and merchandising exploitation potential. The first titles generated by this new strategy are Monster and Pirates and Angel's Friends, both of which show great promise.

The sales force was also strengthened, with the opening of an office in Spain focusing on the Spanish, Portuguese and South American markets, and inroads into markets that have so far been covered only marginally, such as the Middle East and Africa.
Another key element in the new strategic plan for the animation sector is the opening of new sales channels. The most important of these opportunities regard the potential opening of digital terrestrial channels using Company-owned library titles. The US subsidiary, Mondo TV Kids, is currently negotiating the opening of a digital terrestrial channel.

Regarding the cinema and home video segment, which is dealt with by the Mondo Home Entertainment Group, the new strategy centers on exploitation of full rights, which offer higher profit margins, and cost-cutting initiatives aimed at gradually eliminating non-profitable areas of business.

1.4 PRODUCTIONS AND PRINCIPAL ACQUISITIONS DURING THE YEAR

1.4 LIBRARY INVESTMENTS

In 2008 the Parent Company's traditional production activities and acquisitions by other Group companies continued.

Library investments (thousands of euros)		
Category	**2008**	**2007**
Animated feature-length films	58	184
Animated series	612	861
Special animated videos	30	116
Live feature-length films	0	185
Sub-total of investment in new productions	***700***	***1,346***
Investment in unlimited licenses	0	19
Investment in temporary licenses - animation	1,168	320
Investment in temporary licenses - live	6,666	11,466
TOTAL	**8,534**	**13,151**

1.4.2 ACQUISITION AND INCORPORATION OF NEW COMPANIES AND THE LIQUIDATION OF MONDO CINEMA

During 2008, Mondo TV Spain SL, with offices in Madrid, and Mondo TV Kids Inc., with offices in Irving, Texas, started operations. Both companies are wholly owned by the Parent Company, with the purpose of developing the animation business in their respective geographical areas. Both companies are run by highly experienced local management teams.
On October 8 2008 the shareholders of Mondo Cinema S.r.l. voted to wind up the company, which was incorporated with a view to entering the business of making television series. Despite having built up a network of contacts and presented various projects, the company was unable to achieve concrete results.
If conditions for following up these projects were to occur, this would be dealt with by the parent company, Mondo Home Entertainment S.p.A.
The company's final accounts were filed on February 6, 2009.

1.4.3 NEW AGREEMENTS IN 2008

Significant events during 2008 included the previously mentioned signing of the Sky and RTI contracts (Mediaset Group) regarding the sale of television rights films from Moviemax Italia S.r.l.'s library, as well as from Mondo Home Entertainment S.p.A.'s library.

This is a highly significant deal in terms of the amount and insofar as the television sales are of the on/off type.

The agreement signed with Sky is of the output deal type (namely a sales contract for several films before their release, with a price that varies in terms of their box office returns), which lays down solid foundations for the future. Indeed, in Italy this type of contract has only been granted to Medusa and 01 Distribution.

In the animation sector, a production contract was signed regarding Angel's Friends, an animated series in co-production with Playpress and with Mediaset as television partner. Good sales results are expected as of the end of 2009.

1.5 INFORMATION ON SHAREHOLDERS AND THE SHARE PRICE

On the basis of the Shareholders' Register, supplemented by notifications received pursuant to art. 120 of Legislative Decree 58/1998 and other available information, at December 31, 2008 the share capital is held as follows:

Majority shareholders			
		No. of shares	**%**
Orlando Corradi		2,512,928	57.06%
Symphonia SICAV S.p.A.		215,740	4.90%
	Sub-total	2,728,668	61.96%
Other shareholders		1,675,470	38.04%
		4,404,138	100.00%

The issuer is unaware of the existence of any agreements between shareholders pursuant to art. 122 of the Consolidated Law on Finance (TUF), nor has the General Meeting issued any resolutions regarding capital increases, bond issues or acquisitions of treasury shares.

No agreements exist between the Company and the Directors regarding compensation for corporate officers in the case of resignations, unfair dismissals or termination of employment subsequent to a takeover bid.

The following table indicates the shares held by Directors and Statutory Auditors.

Shares held by Directors and Statutory Auditors				
Name and surname	**Shares at Dec 31, 2007**	**Shares purchased**	**Shares sold**	**Shares at Dec 31, 2008**
Orlando Corradi	2,263,578	249,350		2,512,928
Matteo Corradi	1,700	1,540		3,240
Massimiliano Bertolino	250			250

1.6 OUTLOOK, PRINCIPAL RELATED RISKS AND GOING CONCERN ASSUMPTION

Pursuant to art. 154-ter, paragraph 4, of the Finance Act it should be noted that the principal risks relating to the Company's business which might have an impact on the outlook for 2009 primarily regard the following aspects.

The acquisition and launch of full rights for cinema, home video, TV and new media entails the use of substantial financial resources. The investment is recovered over a long time horizon, and in this context having access to adequate lines of credit and sufficient time to acquire television contracts are important factors.
The risk regarding the recoverability of a full-rights investment should also be taken into account. Indeed, a film's box-office returns, which determine home video sales and the contract fees for television sales, may not always be predicted with absolute certainty.
As the home video channel has already reached maturity, margins are much lower than previously. Moreover, the rental sector, which is the most profitable, has registered a sharp decline.
This means cost cutting is needed to claw back profitability.
Finally, the primary risk regarding the animation sector is credit risk. Sales are spread across many international operators, and in the case of non-settlement of fees it is very difficult to implement debt recovery procedures.
The specific risks to the Group are analyzed below.

1. Performance of the home video market

The loss reported for 2008 is partly due to the performance of the home video market, which fell well below expectations. This is due to the following factors:

- The overall performance of the home video market, which has not only registered a substantial contraction in sales volumes in terms of quantity, but above all a sharp decrease in selling prices that has significantly eroded margins. This performance is due to the general slowdown in consumption that has affected all sectors of the market, with more marked repercussions on the propensity to buy non-essential goods such as entertainment products.

- The sell-in policy adopted by the Company, which has generated high volumes of returns that have reached a level of approximately 50% of gross turnover. This trend has led to increased logistics costs relating to product turnover, as well as problems regarding impairments of doubtful accounts and inventories.

- The poor performance of certain of the Company's library titles, which have proved unable to compete in a cut-throat market that is also stagnating.

- The losses connected with the distribution business, where unit sale prices, already reduced by the above-mentioned factor, failed to offset returns and the percentages of royalties transferred to distributors.

- The losses deriving from the newsagent channel caused by a sell-in policy that is not in line with the market absorption capacity.

- Losses relating to the special operations business, which was not well received by the market.

Regarding 2009, the Company expects to report lower home video turnover compared with 2009, which will nevertheless lead to an improvement in EBIT thanks to certain factors:

- Whilst selling prices for traditional DVDs are not forecast to rise in the short term, the Company expects to keep them at an average level thanks to the scheduled launch of Blu-ray DVD sales, which will sell at higher prices and consequently generate higher margins.

- Due to the contraction of the home video market, a few months ago the company adopted a sell-in policy more in line with projections regarding real market absorption capacity. Therefore, return flows are not expected to be above "normal" (all the 2008 sell-in was returned within the year), and consequently logistics costs are expected to decrease compared with the previous year.

- Home video exploitation of full rights for films released at the end of 2008 (Babylon) and to be released in 2009 which, given the quality of the titles, are expected to generate higher margins than the non full-rights titles.

- A new strategy for the distribution channel, where a reduction in the impact of variable costs on total revenues is expected due to a decrease in logistics costs (less sell-in means fewer returns forecast in 2009 compared with 2008), and a reduction in royalties as new distribution contracts are expected to be concluded in 2009 with more favorable royalty percentages given the changed market conditions.

- A change in the "business" approach regarding the newsagent channel, where in addition to a decrease in sell-in, savings in duplication and packaging are expected. Regarding packaging, a more economical format has been chosen for 2009. Regarding duplication, the savings are connected to the acquisition of titles from licensees who do not stipulate the use of specific duplication companies, thus enabling the use of duplicators who offer more competitive prices.

- No budget has been allocated to initiatives connected with the special operations that generated losses in 2008.

2. Conclusion of television contracts

The amount of revenues generated from the finalization of television contracts and the related timing will be a very important factor in achieving 2009 objectives from two key standpoints:

- economic: almost a third of projected revenues for 2009, totaling 10.8 million euros, will derive from Free TV, Pay TV and PPV channels. As almost no direct variable costs are entailed, this is the sales channel that generates the highest margins.
- financial: the amount of projected revenues, and above all the timing of their realization, are vitally important factors to be taken into account in the financial planning phase. Given that the composition of the lines of credit has been shifted more towards commercial liens rather than cash, it is necessary to ensure an adequate

flow of discountable invoices in line with the timing established at the time of estimating annual cash flows.

Regarding the Free channel, the Company has managed to open up a sales channel consisting of RAI which, by joining forces with Mediaset with whom it already has well-established relations, has enabled the Company to have close commercial ties with Italy's two leading networks.

Regarding the future of Pay TV, Mediaset's entry into the market has eliminated the quasi-monopoly position currently held by Sky. This points towards higher potential revenues, partly due to the healthy competition that will arise between the two operators for each film, but also as a result of an increase in the number of films required by the market to fill new Pay TV channels' program schedules (especially the new Mediaset channels, such as Joy, Mya and Steel). The above scenario therefore leads the management to have substantial and well-founded expectations regarding Pay and Free TV revenues.

Moreover, a portion of Pay TV revenues has already been contracted, namely the sale of Horsemen and Incendiary (for 350,000 euros and 150,000 euros, respectively) to Sky, as well as the additional fees for the films "Nim's Island" and "Step up 2" (150,000 euros and 100,000 euros, respectively).

Non-contracted sales regard a Pay TV package, currently under negotiation with Sky, relating to the sale of the last 2008 films from the subsidiary Moviemax Italia S.r.l. (Gracie, Shrooms, Factory Girl and Frontiers) and Mondo Home Entertainment S.p.A. films released in 2008 (Babylon) and those to be released in 2009. The negotiations are at a very advanced stage and, taking into account that last year Sky purchased the entire package of proposed films, the sale may be reasonably expected to have a successful outcome.

In terms of time frames for finalizing the contracts, the state of completion of negotiations with Sky regarding Pay TV raises the hope that contracts will be signed during the first four months of 2009, as provided for in the Company's cash flow projections. Regarding Free TV, negotiations are underway with both RTI/Mediaset and RAI, although it is currently impossible to foresee a precise time frame and amount. Therefore, some doubt remains regarding the related cash flows (in the cash flow projection the first contract was expected to have been signed in June 2009).

<u>3. Performance of the Mondo Home Entertainment Group's net debt</u>

Cash flow estimates for 2009 forecast a modest increase in the Mondo Home Entertainment Group's net borrowing at year end, which compared with December 31, 2008 should stand at around 26.6 million euros and therefore be within the current available credit limits.

This increase is primarily due to the following factors:

- Payment of the balance (equivalent on average to 80%) of investments regarding full rights titles, which were contracted in 2008 and will be commercially exploited in 2009.
- Payment of an advance (equivalent on average to 20%) regarding 2009 investments, which will be commercially exploited in 2010.
- Payment of P&A costs regarding cinematic exploitation of films to be released in 2009.
- Collection of television revenues that primarily derive from the previous year.

A 15-year financial analysis of cash flows was carried out for 2009, which revealed that the plan is fully sustainable in financial terms based on the existing lines of credit, without any need for increasing them.

A series of actions were implemented to guarantee this sustainability:

- drawing up of a repayment schedule with home video and P&A suppliers
- redefinition of guaranteed minimum payment plans
- redefinition of bank facilities within Group companies.

4. Relations with the minority shareholders of Moviemax Italia S.r.l.

On July 31, 2008 the 2007 financial statements of Moviemax Italia S.r.l. were contested by the minority shareholders, Marco dell'Utri and Rudolph Gentile, who consider that the accounting policies used in preparing the financial statements excessively penalize the company.

The directors appointed by the majority shareholders believe that these opinions are completely unwarranted.

This event is only reported for the purposes of providing information about the Group. Indeed, the consolidated financial statements are prepared in accordance with accounting policies that are different from those used in preparing the financial statements of Moviemax Italia S.r.l. for 2007, which were prepared under Italian GAAP.

The minority shareholders of Moviemax Italia S.r.l., RG Holding S.r.l. and Finanziaria Cinema S.r.l. lodged an arbitration proceedings appeal in accordance with art. 21 of the Company By-Laws, and pursuant to art. 2476 of the Italian Civil Code, against the following members of the Board of Directors of Moviemax Italia S.r.l.: Matteo Corradi and Guglielmo Marchetti.

Specifically they deemed the above-mentioned Directors responsible for acts of mismanagement, including:

- alleged failure to purchase distribution rights for works to be offered on the market in 2009;
- alleged erroneous recharging of costs by the subsidiary, Mondo Home Entertainment S.p.A.;
- alleged failure to collect amounts due from Mondo Home Entertainment S.p.A.

The case is currently pending before the Sole Arbitrator, Giuseppe Tepedino.

The parties have submitted preliminary statements.

In these statements the respondents countered the challenges in fact and in law, backed up by appropriate documentation, and also asked beforehand that the request for arbitration be rejected as it infringes art. 21 of the Company By-Laws (which stipulate that responsibility during arbitration extends to the whole Board of Directors and not only to certain of its members). At the same time, they requested cross-examination of the two directors, Rudolph Gentile and Marco Dell'Utri. This request was granted on April 7, 2009 with the summonsing of Rudolph Gentile and Marco Dell'Utri.

During the above-mentioned arbitration proceedings, the minority shareholders of Moviemax Italia S.r.l., with regard to the above-mentioned charges, also filed preliminary proceedings before the Court of Rome urgently requesting that the directors, Guglielmo Marchetti and Matteo Corradi, be urgently relieved of the powers granted to them.

This preliminary request was thrown out by the Court in its ruling of January 19, 2009, which states that no "serious irregularities" warranting the urgent removal requested by the minority shareholders had occurred.

5. Operating outlook for the animation sector

Regarding the animation sector, the Group has implemented a strategy aimed at:

- Production of high-quality titles that are commercially viable for television and licensing
- Strengthening of the sales and distribution structure
- New channels for exploiting the library

The Group has already started implementing the new strategic plan. Regarding the production of high-quality titles, the first series, Monster and Pirates, has already been completed, whilst the series, Angel's Friends (in co-production with Playpress and with the support of RTI/Mediaset) and Virus, are being made.
Licensing rights contracts have already been signed regarding Angel's Friends.

Regarding strengthening of the sales and distribution structure, a top-notch salesman has been added to the sales force, the network of agents and partners has been extended and the opening of the new office in Madrid will provide coverage of the Spanish and South American markets.

The new channels for exploiting the library concern the opening up of digital terrestrial television channels using the Group-owned library, and therefore entailing very modest investment. The first project using this new business model is being developed by the subsidiary, Mondo TV Kids. Negotiations with certain major US networks are at an advanced stage.

The risks that might hamper achievement of the objectives set for 2009 regard the impact of the current economic downturn. Indeed, the decline in advertising investment is reducing the capacity of television operators, and a further accentuation of the crisis could reduce 2009 sales to a level below that projected and reflected in the budget.

However, no financial tensions are foreseen for animation companies, as this sector tends to be financially stable and has very limited debt.
Information on financial risk and potential liabilities is provided in the Notes.

Going concern assumption

The Mondo TV Group's consolidated financial statements as of December 31, 2008 were prepared on the going concern assumption, since, despite the net loss of 11,636 thousand euros reported for the year, equity is substantial, amounting to 18,609 thousand euros at December 31, 2008.
Moreover, the Directors believe that the operating performance will improve in future years as the Mondo Home Entertainment Group will concentrate on the exploitation of full rights, which offers substantially higher margins than merely selling home video rights. Overheads are also being significantly reduced.

Regarding the animation sector, Mondo TV S.p.A. reports a net loss for the year of 7,636 thousand euros and equity amounting to 21,740 thousand euros. Working capital amounts to 427 thousand euros, and net debt totals 1,706 thousand euros.
Orders in hand, regarding both production and the sale of rights, the international expansion of the sales network and the development of the series, Angel's Friends, in which great expectations are invested in terms of television rights and merchandising sales, point towards a return to profitability next year.

As the animation sector is highly capitalized and has very low debt, attention will be focused on assessing application of the going concern assumption to the Mondo Home Entertainment Group.

Assessment of application of the going concern assumption to the Mondo Home Entertainment Group

The consolidated financial statements of the Mondo HE Group as of December 31 2007 report a net loss (before minority interest) of 7,679 thousand euros and equity totaling 1,703 thousand euros (including 1,415 thousand euros attributable to the minority interest).

Net working capital amounts to 1,166 thousand euros, and grew by 2,643 thousand euros compared with the figure as of December 31, 2007.

Current liabilities (including net borrowings) are 23,424 thousand euros higher than current assets, a deterioration compared with the 16,055 thousand euros as of December 31, 2007.

Short-term debt (see the table in paragraph 2.26) amounts to 24,210 thousand euros (16,047 thousand euros as of December 31, 2007), and is primarily used to finance investments in fixed assets.

Such borrowings have been undertaken against revocable lines of credit granted by banks.

The above information calls for an explanation of why the Mondo Home Entertainment Group's consolidated financial statements were prepared on a going concern basis, namely the Group's capacity to carry on its activities in the foreseeable future and the lack of motivation or need for Group companies to be placed into voluntary liquidation or be subject to insolvency proceedings. Such reasons are confirmed by the Directors' assessment of this basic assumption. Taking into account the performance registered in 2008, the Company foresees the following in 2009:

- a rebalancing of the ratio between current assets and current liabilities (net working capital);
- net debt, with an increase in bank borrowings, via recourse to lines of credit that in any case will be kept below liquidity. A detailed analysis of the financial sustainability of the plan described above has been carried out.
- Regarding operating performance, on the basis of projections the Company forecasts a better operating result than 2008 thanks to:
    - actions taken regarding the home video market, as described above
    - exploitation of full rights investments in the cinema, home video, TV and new media channels
    - profitability deriving from co-production activities (the animated series Angel's Friends)
    - profitability deriving from recently launch of trading activities
    - the restructuring already underway and the consequent cost reductions.

It should be noted that sufficient funding to support the projected performance of operations has already been obtained, in order to be reasonably certain, based on the detailed analysis carried out and described above, that any operating or financial difficulties do not hinder the pursuit and achievement of expected results.

The lines of credit available to the Group as of December 31, 2008 and their related uses break down as follows:

CASH LINES OF CREDIT

(millions of euros)

Bank	Amount granted	Cash and cash equivalents	Short-term cash borrowings	Total amount used	Available amount
Intesa San Paolo	7.0	-1.2	4.8	3.6	3.4
Unicredit	1.5	0.0	1.5	1.5	0.0
Mediocredito Centrale SpA	6.0 (*)	0.0	3.9	3.9	2.1

Banca Nazionale del Lavoro SpA	0.5	-0.3	0.5	0.2	0.3
Cassa di Risparmio di Ferrara	0.1	0.0	0.0	0.0	0.1
IFITALIA	0.0	0.0	0.0	0.0	0.0
Unicredit Factoring	0.0	0.0	0.0	0.0	0.0
Total	**15.1**	**-1.5**	**10.7**	**9.2**	**5.9**

COMMERCIAL LINES OF CREDIT

(millions of euros)

Bank	**Amount granted**	**Short-term borrowings for advances against invoices**	**Amount used for letters of credit**	**Total amount used**	**Available amount**
Intesa San Paolo	10.0	6.9	1.7	8.6	1.4
Unicredit	3.0	2.7	0.0	2.7	0.3
Mediocredito Centrale SpA	0.0	0.0	0.0	0.0	0.0
Banca Nazionale del Lavoro SpA	5.1	3.4	0.0	3.4	1.7
Cassa di Risparmio di Ferrara	0.7	0.0	0.0	0.0	0.7
IFITALIA	3.0	0.0	0.0	0.0 (**)	3.0
Unicredit Factoring	2.5	2.4	0.0	2.4	0.1
Total	**24.3**	**15.4**	**1.7**	**17.1**	**7.2**

SURETIES

(millions of euros)

Bank	**Amount granted**	**Amount used**	**Total amount used**	**Available amount**
Intesa San Paolo	2.5	2.2	2.2	0.3
Total	**2.5**	**2.2**	**2.2**	**0.3**

SUMMARY

(millions of euros)

Bank	**Amount granted (including sureties)**	**Cash and Cash equivalents**	**Short-term borrowings**	**Amount used for letters of credit**	**Sureties**	**Total amount used**	**Available amount**
Intesa San Paolo	19.5	-1.2	11.7	1.7	2.2	14.4	5.1
Unicredit	4.5	0.0	4.2	0.0	0.0	4.2	0.3
Mediocredito Centrale SpA	6.0(*)	0.0	3.9	0.0	0.0	3.9	2.1
Banca Nazionale del Lavoro SpA	5.6	-0.3	3.9	0.0	0.0	3.6	2.0
Cassa di Risparmio di Ferrara	0.8	0.0	0.0	0.0	0.0	0.0	0.8
IFITALIA	3.0	0.0	0.0	0.0	0.0	0.0 (**)	3.0
Unicredit Factoring	2.5	0.0	2.4	0.0	0.0	2.4	0.1
Total	**41.9**	**-1.5**	**26.1**	**1.7**	**2.2**	**28.5**	**13.4**

All the lines of credit may be revoked except for the loan agreement entered into with Mediocredito Centrale SpA, which provides for a lump-sum repayment on April 30, 2010.

(*) The loan agreement entered into with Mediocredito, which may only be used to purchase cinematographic works, includes the following covenants to be calculated in the consolidated financial statements as of 2007:
1) debt/equity ratio no higher than 2.5; 2) debt/EBITDA* ratio no higher than 4.
At December 31, 2008 the debt-to-equity ratio was 14.2, whilst the debt-to-EBITDA ratio stood at 8.8.
Moreover, the agreement includes an obligation on the part of Mondo Home Entertainment S.p.A. and Moviemax Italia S.r.l. to repay the loan in advance at the bank's request if direct or indirect control by the shareholder (the Corradi family) were to change under any of the following circumstances: (i) if the majority shareholder, Mondo TV S.p.A., ceases to own at least 50.1% of Mondo HE's share; (ii) if at any time one or more of the members of the Corradi family, acting together, were to own a total number of shares with voting rights at the General Meeting of Mondo TV S.p.A. sufficient to enable them to exercise a dominant influence over it. Due to the effect of the above-mentioned sale of shares by Mondo TV S.p.A. in March 2009, as mentioned in paragraph 1.8 of the Report on Operations of Mondo TV, whilst remaining Mondo Home Entertainment S.p.A.'s major shareholder, Mondo TV S.p.A. currently has a shareholding of less than 50.1%
Consequently, the events that may cause the bank to call in the loan have occurred, although the bank has not yet exercised this right. A meeting with the bank has been scheduled before the end of April 2009 to discuss the effects deriving from these events.

Based on the current state of relations with the bank, it is deemed that failure to comply with the covenants (which were already breached in 2007) should not have any negative repercussions on the amount of credit granted and contractual maturity dates.
(**) At December 31, 2008 an amount of 0.3 million euros discounted without recourse and not yet collected by the bank was recorded, which will reduce the amount available for such transactions.

The risk of revocation of the lines of credit is constantly monitored.

Additional supporting elements regard:

- home video turnover generated in the first two months of 2009 rose more than budget projections
- the existence of well-established relations with major customers among leading television operators (Sky and RTI Mediaset)
- the conclusion of important television sales contracts with RAI during 2008, which means that the Company has close commercial ties with all the major Italian networks (RAI, RTI Mediaset and Sky)
- the reorganization of the operational structure already underway regarding staff and external consultants.

Having taken into account the scant room for maneuver due to the scarcity of equity at December 31,2008 and the current amounts of lines of credits used, it is deemed that the problems relating to the going concern assumption are adequately managed, despite uncertainties regarding:

1. the risks described in the previous paragraph regarding: 1. the performance of the home video market; 2. conclusion of television contracts; 3. performance of net debt; 4. relations with the minority shareholders of Moviemax Italia S.r.l.
2. failure to achieve 2008 budget objectives
3. the fact that changes underway in the Company's business may give rise to the effects foreseen in

drawing up the plan. Such changes regard: 1. measures implemented in the home video channel (retail and newsagent); 2. introduction of co-production and trading activities; 3. the company restructuring already in progress

4. the current composition (cash and commercial) of the lines of credit which guarantee financial sustainability given adherence to the assumptions regarding the timing and the amount of television revenues that are the basis of the 2009 budget
5. the overall macro-economic climate.

According to the Directors, due to the above-mentioned set of circumstances, substantial uncertainty exists that may give rise to significant reservations regarding the Mondo Home Entertainment Group's capacity to continue to operate on a going concern basis. Nevertheless, having evaluated all the uncertainties, the Directors believe that the Group's available funds reasonably allow for the continuation of activities in the future.

Based on this assessment the Directors of Mondo Home Entertainment S.p.A. continue to adopt the going concern assumption in the preparation of figures in their financial statements.

Consequently, the Directors of Mondo TV S.p.A. also believe that any reduction in the activities of the Mondo Home Entertainment Group would lead to a significant reduction in the operations of the Mondo TV Group, without, however, prejudicing application of the going concern assumption.

1.7 HUMAN RESOURCES AND RESEARCH AND DEVELOPMENT

At December 31, 2008 the Group's headcount stood at 79, including 7 senior managers, 11 middle managers, 49 administrative staff, 3 blue-collar workers and 9 apprentices/interns, representing an increase of 12 compared with December 31, 2007.

The headcount breaks down by company as follows: Mondo Tv S.p.A. (15), Mondo Home Entertainment S.p.A. (31), Moviemax Italia S.r.l. (17) and other Group companies (16).

The Group has a moderate staff turnover.

No serious accidents, at any Group company workplace, were registered during the year, nor were any charges regarding occupational diseases or harassment at work notified.

The Company does not carry out research and development aimed at launching new products.

1.8 SUBSEQUENT EVENTS

During the first quarter of 2009, the Parent Company, Mondo TV S.p.A, is achieving results substantially in line with budget projections.

The Mondo Home Entertainment Group registered a good performance in the home video segment, with results above budget projections.

Negotiations regarding the sale of television rights are underway with Sky, RTI/Mediaset and RAI, which should bear fruit as of the second quarter of the year.

The Mondo Home Entertainment Group's net bank borrowings have fallen by around 2 million euros compared with the figure recorded at December 31, 2008.

On March 26, 2009 a 24.3% stake in the subsidiary, Mondo Home Entertainment S.p.A., was sold to Guglielmo Marchetti, co-founder and Managing Director of the Mondo Home Entertainment Group.

Subsequent to this sale, Mondo TV is still Mondo Home Entertainment's major shareholder with an interest of 32.7%, whilst Guglielmo Marchetti's stake has risen to 29.4%

On April 9, 2009, the 2008 tax losses incurred by Mondo Home Entertainment, which is no longer included in the tax consolidation due to the above-mentioned sale of shares, were transferred to the Parent Company, Mondo TV S.p.A. Due to this sale, Mondo TV has acquired tax losses totaling 7,113 thousand euros, corresponding at current rates to a tax credit of 1,956 thousand euros.

1.9 RELATED PARTY TRANSACTIONS

1.9.1 RELATED PARTIES

Mondo TV enters into significant relations with the related parties that are fully listed in Annex 3.5.

These relations are carried out on a regular arm's-length basis, and primarily fall into three categories:

- payment for supply of services
- payment of rentals and other services
- sundry relations with shareholders.

The operating and financial aspects of these relations are shown in the table below.

(thousands of euros)	**Costs 2008**	**Payables at December 31, 2008**	**Type of relation**
Remuneration paid to Directors and managers			
Orlando Corradi	70	0	Director
Massimiliano Bertolino	16	14	Independent Director
Matteo Corradi	166	38	Director
Monica Corradi	28	0	Director
Francesco Figliuzzi	10	0	Independent Director
Ugo Girardi	108	43	Director – Supervisory Board
Leonardo Pagni	19	14	Director
Bruno Galizi	34	0	Director
Florian Dobroscke	17	17	Supervisory Board
Vittorio Romani	7	7	Supervisory Board
Eve Baron	136	0	Director
Guglielmo Marchetti	435	71	Director
Luigi Affaba	159	5	Director
Giovanni Scrofani	137	8	Director
Max Cosenza	90	0	Director
Paolo Maria Montagna	7	0	Director
Rudolph Gentile	225	44	Director
Marco Dell'Utri	212	44	Director
Elvio Gasperini	1	1	Director
Michael Bartels	200	0	Director
Total	**2,077**	**306**	

Real estate and services companies			
Trilateral land Srl	82	0	Location: Guidonia - Via Montenero 44 - MTV warehouse
Trilateral land Srl	188	25	Location: Rome - Via Brenta 11 - MTV offices
Trilateral land Srl	146	43	Location: Milan - Via Melchiorre Gioia 72 - MHE offices
IME	0	86	Company controlled by MIM
Total	**416**	**154**	
Shareholders			
Michael Bartels	0	223	Sale of MEG investment
Total	**0**	**223**	
Overall total	**2,493**	**683**	

(thousands of euros)	**Revenues 2008**	**Receivables at December 31, 2008**	**Type of relation**
Real estate and services companies			
IME	0	26	Company controlled by MIM
Total	**0**	**26**	
Shareholders			
Guglielmo Marchetti	0	0	MEG capital contribution
RG Holding	0	301	Minority shareholder of Moviemax Italia
Fiduciaria Cinema	0	301	Minority shareholder of Moviemax Italia
Total	**0**	**602**	
Overall total	**0**	**628**	

- ✓ The acquisition of Moviemax Italia Srl gave rise to amounts due to the vendor, Moviemax Srl, with regard to the company's directors, Rudolph Gentile and Marco Dell'Utri. These payables include 1,050 thousand euros relating to an earnout that MHE might be requested to pay if certain conditions regarding turnover should arise. Specifically, a payment of 7% of revenues deriving from sales of free TV rights was envisaged if total sales arising from contracts concluded before December 31, 2008 amounted to more than 15 million euros by December 31, 2010. Based on total figures and approved plans, such conditions are no longer deemed achievable, and therefore the variable element of the price has been cancelled. This entailed a decrease in financial payables and goodwill for a corresponding amount.
- ✓ The acquisition of Mondo Entertainment Germany gave rise to a payable of 641 thousand euros due to the minority shareholder, Michael Bartels, which is the estimated value of the put option. The shareholder, Michael Bartels, has been granted the right to exercise a put option on his entire 10% stake in the company. The put option may be exercised between January 1, 2011 and one of the following dates: i) 8 weeks after approval of the financial statements for 2015, or ii) May 31, 2016. MHE has undertaken to acquire a 10% stake in MB when the value is equivalent to 8 times the average EBITDA reported by the company in the two years prior to exercise of the put option. The value of the put option was adjusted to 223 euros in 2008 to take account of the expected reduction in sales compared with the initial plan.
- ✓ During 2008 Mondo TV repaid the loan of 596 thousand euros due to the majority shareholder, Orlando Corradi, deriving from the acquisition of Doro and falling due as of December 31, 2005.

- ✓ In 2008 Guglielmo Marchetti also sold 10% of MEG to Mondo Home Entertainment and 300,000 Mondo Home Entertainment shares to Mondo TV, at a cost of 150,000 euros.
- ✓ Guglielmo Marchetti also provided consultancy services regarding the conception and development of the Angel's Friends product, for a fee of 175,000 euros.

Paragraph 2.5 shows the consolidated financial statements prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 regarding the reporting of related party transactions and the relative effects on the various items in the consolidated financial statements.

1.9.2 INTERCOMPANY TRANSACTIONS

Regarding intercompany transactions between the Parent Company and other Group companies, including those that do not involve the Parent Company, it should above all be noted that the activities of the various companies tend to be integrated, as traditionally in this sector companies belonging to the same media group pursue common policies in relation to production, acquisition and exploitation of rights. Indeed, these groups tend to organize separate internal structures with specialist expertise in the exploitation of rights through various media (cinema, home video, television, etc.) and, at the same time, seek to pursue common strategies regarding the sourcing and marketing of rights, in order to take advantage of synergies and the greater contractual weight that derives from joint action.

All the transactions between Group companies were conducted on an arm's length basis and entailed specific corporate governance procedures regarding the relative approval of implementation. In terms of accounting they were eliminated within the scope of consolidation procedure in accordance with normal accounting regulations.

The principal transactions that had an impact in 2008 are described in the table below.

Companies involved		Description of transactions
Mondo TV	MIM	Mondo TV acts as an international distributor for MIM. The Company sells rights held by MIM together with its own, acquiring them from MIM at a cost of approximately 70% of forecast revenues.
Mondo TV	MIM	Mondo TV provides executive production services to MIM.
Mondo TV	Doro	Mondo TV acts as an international distributor for Doro. The Company sells rights held by Doro together with its own, and grants Doro a royalty equal to 70% of revenues.
Mondo TV	Doro	Mondo TV provides executive production services to Doro.
Mondo TV	Doro	Doro centralizes relations with SIAE. Consequently, it also collects payments for rights on behalf of Mondo TV and transfers to the Parent.
Mondo TV	Mondo Dis.	Mondo Dis. has arranged the sale of Italian soundtracks, which is remunerated on a commission basis.
Mondo TV	Mondo Dis.	Mondo Dis. has acquired rights from Mondo TV regarding certain Italian soundtracks with a view to selling them in the future.
Mondo TV	Mondo HE	Based on a contract signed in 2002, Mondo HE distributes home videos of titles in Mondo TV's library in return for a 20% royalty.
Mondo TV	Mondo HE	Based on a agreement signed in 2006 that provides for equal profit-sharing, Mondo HE distributes full rights for some of Mondo TV's animated feature-length films.
Doro	Mondo HE	Based on a contract signed in 2005, Mondo HE distributes home videos of wrestling titles in Doro's library in return for a 20% royalty.
Mondo TV	Mondo HE	In 2004 and 2005 Mondo HE signed two contracts with Mondo TV regarding the acquisition of the rights of 26 films owned by Mondo TV for home video, cinema and television

		distribution. These ten-year contracts provided for a total payment of 1,860,000 euros (plus VAT) to Mondo TV.
Mondo HE	Moviemax Italia	On December 20, 2005 a home video distribution contract was signed regarding 10 films owned by Moviemax (subsequently incorporated on January 20, 2006). This contract provides for payment by Mondo HE of 75% of the amount billed to resellers to Moviemax until May 2007, and of 70% as of June 1, 2007, except for the sale of videos sold as supplements to publications, for which the payment is 90% of the amount billed to resellers.
Mondo HE	Moviemax Italia	On June 18, 2008 Mondo HE signed a license acquisition contract with Moviemax for 4 titles ("Nim's Island", "Step up 2", "Frontiers" and "I know who killed me") which provides for the commercialization of videos via the home video and newsagent channels in addition to Video On Demand.
Mondo TV	Mondo HE	Mondo HE has an agreement with Mondo TV regarding the provision of certain services to Mondo HE, including: (i) the audio-video quality control of audio-visual products; (ii) copying of audio-visual products in DigiBeta format with addition of any soundtracks from video materials used for DVD authoring; (iii) copying video materials onto video cassettes for sub-titling VHS; (iv) editing and DigiBeta duplication; (iv) supply of materials; (v) video cassette and DVD duplication; (vi) storage of all video materials used for processing. Pricing for these services has been set in accordance with normal market rates.
Mondo TV	Mondo HE	Mondo TV has signed a production agreement with Mondo HE and Play Entertainment regarding the making of the animated series, Angel's Friends, comprising 52 episodes. The production fee for the series agreed to by Mondo TV and Mondo HE is equivalent to 29% of the exploitation rights for the series.
Mondo HE	Mondo Dis.	In 2005 Mondo HE approved the signing of a three-year contract with Mondo Distribution regarding acquisition of advertising space and other promotional initiatives in the magazine published by Mondo Distribution called "Mondo Japan" (which mainly deals with *anime* and *mangas*) and on the website, as well as consulting on finding new *mangas* for home video distribution in Italy.
Mondo HE	Moviemax Italia	San Paolo IMI has granted Mondo HE a line of credit totaling 19.5 million euros, which may be used for liquidity or commercial requirements. The Company partially extended these lines of credit to Moviemax Italia, which uses them to meet specific cash requirements. As remuneration for the guarantee provided by Mondo HE on the portion of the line of credit used by Moviemax Italia, Mondo HE has requested a payment of 0.4% thousand euros per annum. Moreover, if Moviemax uses the line of credit, a back-to-back guarantee will be issued in favor of Mondo HE via establishment of a lien on revenues deriving from the exploitation of home video rights owned by Moviemax and granted under license to Mondo HE.
Mondo HE	Moviemax Italia	Unicredit has granted Mondo HE a line of credit which may be used for liquidity or commercial requirements. The Company partially extended this line of credit to Moviemax Italia, which uses it to meet specific cash requirements. As remuneration for the guarantee provided by Mondo HE on the portion of the line of credit used by Moviemax Italia, Mondo HE has requested a payment of 0.4% thousand euros per annum. Moreover, if Moviemax uses the line of credit, a back-to-back guarantee will be issued in favor of Mondo HE via establishment of a lien on revenues deriving from the exploitation of home video rights owned by Moviemax and granted under license to Mondo HE.
Mondo HE	Moviemax	MCC has granted Mondo HE and Moviemax Italia a line of credit of 6 million euros, with a

	Italia	duration of 24 months, to provide liquidity for the acquisition of films. The line of credit was granted on February 1, 2008.
Mondo HE	Moviemax Italia	On April 8, 2008 Banca Nazionale del Lavoro granted Mondo HE a line of credit totaling 5.6 million euros, which may be used for liquidity or commercial requirements. The Company extended this line of credit to Moviemax Italia S.r.l., which uses it to meet specific cash requirements.

Agreements with minority shareholders of Moviemax Italia

Regarding the agreements signed by Mondo Home Entertainment Spa with the minority shareholders of Moviemax Italia, art. 13 on dilution stipulates that if the financial statements of Moviemax Italia S.r.l., after use of reserves (including the payment of 500,000 euros made by Mondo HE, hereinafter “Moviemax Deductible”) and a capital reduction, still reports losses, they will be covered via a mechanism that provides for the following:

(a) if any losses are reported during 2007 and 2008, in addition to an amount paid to cover the portion of losses corresponding to its equity investment (51%), Mondo HE will pay Moviemax Italia S.r.l. an additional sum to ensure that the residual portion to be directly covered by Moviemax S.r.l. corresponds to 20% of the reported loss;

(b) for any losses are reported in subsequent years, this advance will be limited to an amount that ensures that the portion of losses to be covered directly by Moviemax S.r.l. corresponds to 40% of the reported loss.

Repayment of these advances to Mondo Home Entertainment S.p.A., as well as those regarding the Moviemax Deductible, will be made via:

(i) offsetting against any amount due from Mondo HE to Moviemax S.r.l. as a variable component of the selling price agreed on for the acquisition of the investment in Moviemax Italia S.r.l.; and/or

(ii) offsetting against the amount due from Mondo HE to Moviemax S.r.l. as the cost of exercising a put option granted to minority shareholders; and/or

(iii) the return by Moviemax S.r.l. to Mondo Home Entertainment S.p.A. of dividends paid to the former by Moviemax Italia S.r.l.; and/or

(iv) exclusively regarding the advances referred to in (a) above, via payment of six-monthly installments of 125,000 euros as of June 30, 2008, until 69% of the advances have been repaid. These advances are subject to legal interest plus 1%.

In any case, Moviemax S.r.l. or its successors in title are obliged to repay Mondo HE any residual amounts subsequent to the above repayments within 30 days of expiry of the agreement. Moviemax S.r.l.’s repayment obligations have also been jointly undertaken by the company’s shareholders, as well as by the entities that personally control them.

So far, the installments falling due at June 30, 2008 and December 31, 2008, totaling 250,000 thousand euros, have not been repaid by the minority shareholders.

On December 3, 2008 Mondo Home Entertainment S.p.A. submitted an arbitration request to the Chamber of Arbitration of Milan aimed at verifying the non-compliance of Moviemax's minority shareholders, with consequent cancellation of the agreements; judgment is pending.

1.10 RECONCILIATION OF CONSOLIDATED EQUITY WITH THE PARENT COMPANY’S EQUITY

Reconciliation of the Parent Company's equity and the Group's consolidated equity at December 31, 2008 is summarized in the following table.

(thousands of euros)	Income Statement	Equity
Statutory financial statements of Mondo TV S.p.A.	**-7,636**	**21,740**
Contribution of subsidiaries	-9,175	8,088
Eliminations of the carrying value of net investments	2,410	-5,860
Eliminations of capitalized intercompany revenues and deferred income	-948	-3,732
Attribution of subsidiaries' net income to minority interest	3,686	-1,627
Consolidated financial statements	**-11,663**	**18,609**

2. FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

2.1 CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2008 (compared with December 31, 2007)

Consolidated Balance Sheet

(thousands of euros)		Dec 31, 2008	Dec 31, 2007	2008-2007	% diff.
Non-current assets					
- Intangible rights		*27,562*	*34,707*	*-7,145*	*-21%*
- Goodwill		*5,667*	*6,952*	*-1,285*	*-18%*
- Other intangible assets		*422*	*154*	*268*	*174%*
Intangible assets	4	33,651	41,813	-8,162	-20%
Property, plant and equipment	4	625	516	109	21%
Equity investments		72	0	72	
Receivables		687	306	381	125%
Deferred tax assets	5	15,141	12,975	2,166	17%
		50,176	**55,610**	**-5,434**	**-10%**
Current assets					
Closing inventory	6	3,129	3,353	-224	-7%
Trade receivables	7	29,969	29,768	201	1%
Financial receivables	7	0	47	-47	-100%
Securities	9	41	204	-163	-80%
Direct tax credits	5	209	161	48	30%
Other assets	8	238	959	-721	-75%
Cash and cash equivalents	9	2,173	3,275	-1,102	-34%
		35,759	**37,767**	**-2,008**	**-5%**
Total assets		**85,935**	**93,377**	**-7,442**	**-8%**
Non-current liabilities					
Provisions for employee termination indemnities	10	509	424	85	20%
Provisions	10	199	474	-275	-58%
Deferred tax liabilities	5	795	2,076	-1,281	-62%
Borrowings	11	223	1,730	-1,507	-87%
		1,726	**4,704**	**-2,978**	**-63%**
Current liabilities					
Provisions	10	1,565	2,785	-1,220	-44%
Trade payables	11	30,361	31,094	-733	-2%
Borrowings	11	29,576	17,792	11,784	66%
Direct taxes due	5	853	80	773	966%
Other liabilities	12	1,618	1,877	-259	-14%
		63,973	**53,628**	**10,345**	**19%**
Total liabilities		**65,699**	**58,332**	**7,367**	**13%**
- Share capital		*2,202*	*2,202*	*0*	0%
- Share premium reserve		*57,325*	*57,325*	*0*	0%
- Legal reserve		*431*	*431*	*0*	0%
- Accumulated losses		*-29,686*	*-24,365*	*-5,321*	22%
- Net income/(loss) for the period		*-11,663*	*-5,320*	*-6,343*	119%
Equity attributable to shareholders of the Parent		18,609	30,273	-11,664	-39%
Equity attributable to minority interest		1,627	4,772	-3,145	-66%
Total equity	13	**20,236**	**35,045**	**-14,809**	**-42%**
Total liabilities + equity		**85,935**	**93,377**	**-7,442**	**-8%**

2.2 CONSOLIDATED INCOME STATEMENT FOR 2008 (compared with 2007)

(classified according to type of cost)

Consolidated Income Statement

(thousands of euros)	Note	2008	2007	2008-2007	%
Revenues from sales and services	17	37,428	40,838	-3,410	-8%
Other income	17	817	2,082	-1,265	-61%
Changes in inventories	17	-242	1,778	-2,020	-114%
Raw and consumable materials and goods for resale	18	-7,230	-7,457	227	-3%
Labor costs	19	-5,163	-3,707	-1,456	39%
Amortization and impairment of intangible assets	20	-15,109	-14,387	-722	5%
Depreciation and impairment of property, plant and equipment	20	-256	-357	101	-28%
Provisions for doubtful accounts	8	-1,512	-2,444	932	-38%
Other operating expenses	21	-24,838	-26,579	1,741	-7%
Operating income/(loss)		**-16,105**	**-10,233**	**-5,872**	57%
Net financial income/(expense)	22	-1,857	-734	-1,123	153%
Pre-tax income/(loss) for the period		**-17,962**	**-10,967**	**-6,995**	64%
Income taxes	23	2,613	2,309	304	13%
Net income/(loss) for the year		**-15,349**	**-8,658**	**-6,691**	77%
Net income/(loss) attributable to minority interest		-3,686	-3,338	-348	10%
Group net income/(loss) for the period		**-11,663**	**-5,320**	**-6,343**	119%

Earnings per share		**-2.6482**	**-1.2080**
Diluted earnings per share		**-2.6482**	**-1.2080**

2.3 STATEMENT OF CHANGES IN EQUITY FOR 2008

Changes in equity

(thousands of euros)	Share capital	Legal reserve	Retained earnings/ (accumulated losses)	Treasury stock reserve	Share premium reserve	Net income/ (loss) for the period	Attributable to shareholders of Parent	Equity attributable to minority interest	Total equity
Consolidated financial statements Dec 31, 2006	**2,202**	**431**	**-26,501**	**0**	**57,325**	**284**	**33,741**	**6,236**	**39,977**
Allocation of net income for 2006			284			-284			**0**
Elimination of MHE stock options								-48	**-48**
Acquisition of Mondo Entertainment Gmbh								235	**235**
Capital contribution Moviemax								245	**245**
Capital contribution Mondo Cinema								90	**90**
Minority interest's coverage of Mondo Cinema losses for			9				9	-9	**0**

2006 MGE put option								-117	**-117**
Cancellation of Moviemax put option on expiry			1,843				1,843	1,478	**3,321**
Net loss for 2007						-5,320	-5,320	-3,338	**-8,658**
Consolidated financial statements Dec 31, 2007	**2,202**	**431**	**-24,365**	**0**	**57,325**	**-5,320**	**30,273**	**4,772**	**35,045**
Allocation of net income for 2007			-5,320			5,320	0		**0**
Allocation of MHE stock options							0	39	**39**
Capital contribution Moviemax							0	604	**604**
Acquisition of 10% of MEG on Sep 30, 2008								-96	**-96**
Acquisition of 1.46% of MHE on Oct 31, 2008								-75	**-75**
New value of MEG put option								65	**65**
Effect of foreign currency translation on MTV Kids net income in USD			-1				-1	0	**-1**
Other changes								4	**4**
Total net income/(loss) for the period						-11,663	-11,663	-3,686	**-15,349**
Consolidated financial statements Dec 31, 2008	**2,202**	**431**	**-29,686**	**0**	**57,325**	**-11,663**	**18,609**	**1,627**	**20,236**

2.4 STATEMENT OF CONSOLIDATED CASH FLOWS FOR 2008 (compared with 2007)

Consolidated Statement of Cash Flows

(thousands of euros)	2008	2007	2008-2007	% diff.
A. CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,275**	**3,157**	**118**	**4%**
Net income/(loss) attributable to shareholders of the Parent	-11,663	-5,320	-6,343	119%
Net income/(loss) attributable to minority interest	-3,686	-3,338	-348	10%

Total net income/(loss) for the period	-15,349	-8,658	-6,691	77%
Amortization, depreciation and impairments	16,877	17,188	-311	-2%
Net change in allowances	-1,410	2,161	-3,571	-165%
Cash flows from operating activities before changes in working capital	**118**	**10,691**	**-10,573**	**-99%**
(Increase) decrease in trade receivables	-1,713	-9,201	7,488	-81%
(Increase) decrease in inventories	224	-1,836	2,060	-112%
(Increase) decrease in deferred tax assets	-2,214	489	-2,703	-553%
(Increase) decrease in other assets	698	264	434	164%
Increase (decrease) in accounts payable	-732	8,153	-8,885	-109%
Increase (decrease) in tax liabilities	-508	-2,364	1,856	-79%
Increase (decrease) in other liabilities	-259	-871	612	-70%
Income taxes paid	0	0	0	
B. NET CASH FLOW PRODUCED FROM (USED IN) OPERATING ACTIVITIES	**-4,386**	**5,325**	**-9,711**	**-182%**
(Investment in) disposals of fixed assets				
- Intangible assets	-6,947	-13,018	6,071	-47%
- Property, plant and equipment	-365	-71	-294	414%
- Financial assets	-72	-254	182	-72%
C. NET CASH FLOW USED IN INVESTING ACTIVITIES	**-7,384**	**-13,343**	**5,959**	**-45%**
Capital transactions	539	3,774	-3,235	-86%
Allocation of stock options	0	-48	48	-100%
(Increase) decrease in loans and receivables and securities	-148	-185	37	-20%
Increase (decrease) in borrowings	8,726	3,693	5,033	136%
Interest paid	1,551	902	649	72%
D. NET CASH FLOW USED IN FINANCING ACTIVITIES	**10,668**	**8,136**	**2,532**	**31%**
E. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	**-1,102**	**118**	**-1,220**	**-1034%**
F. CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,173**	**3,275**	**-1,102**	**-34%**

2.5 CONSOLIDATED FINANCIAL STATEMENTS SHOWING RELATED PARTY TRANSACTIONS

In compliance with the provisions laid down in CONSOB Resolution no. 15519 of July 28, 2006, "Provisions regarding financial statements", in addition to the obligatory schedules, consolidated income statement and balance sheet schedules have been prepared. These schedules report significant amounts regarding related party positions or transactions, shown separately from the respective related items.

Consolidated Balance Sheet						
(thousands of euros)	**Dec 31, 2008**	**Related parties**	**%**	**Dec 31, 2007**	**Related parties**	**%**
Non-current assets						
- Intangible rights	*27,562*		*0%*	*34,707*		*0%*
- Goodwill	*5,667*		*0%*	*6,952*		*-*
- Other intangible assets	*422*		*0%*	*154*		*0%*
Intangible assets	33,651	0	0%	41,813	0	0%
Property, plant and equipment	625		0%	516		0%
Equity investments	72		0%			-
Receivables	687	602	88%	306		0%
Deferred tax assets	15,141		0%	12,975		0%
	50,176	**602**	1%	**55,610**	**0**	0%
Current assets						
Closing inventory	3,129		0%	3,353		0%
Trade receivables	29,969	26	0%	29,768	153	1%
Financial receivables	0			47	19	40%
Securities accounted for at fair value	41		0%	204		0%
Direct tax credits	209		0%	161		0%
Other assets	238		0%	959		0%
Cash and cash equivalents	2,173		0%	3,275		0%
	35,759	**26**	0%	**37,767**	**172**	0%
Total assets	**85,935**	**628**	1%	**93,377**	**172**	0%
Non-current liabilities						
Provisions for employee termination indemnities	509		0%	424		0%
Provisions	199		0%	474		0%
Deferred tax liabilities	795		0%	2,076		0%
Borrowings	223	223	100%	1,730	1,716	99%
	1,726	**223**	13%	**4,704**	**1,716**	36%
Current liabilities						
Provisions	1,565			2,785		
Trade payables	30,361	460	2%	31,094	603	2%
Borrowings	29,576	0	0%	17,792	596	3%
Direct taxes due	853		0%	80		0%
Other liabilities	1,618		0%	1,877		0%
	63,973	**460**	1%	**53,628**	**1,199**	2%
Total liabilities	**65,699**	**683**	1%	**58,332**	**2,915**	5%
- Share capital	*2,202*		*0%*	*2,202*		*0%*
- Share premium reserve	*57,325*		*0%*	*57,325*		*0%*
- Legal reserve	*431*		*0%*	*431*		*0%*
- Accumulated losses	*-29,686*		*0%*	*-24,365*		*0%*
- Net income/(loss) for the period	*-11,663*		*0%*	*-5,320*		*0%*
Equity attributable to shareholders of the Parent	18,609	0	0%	30,273	0	0%
Equity attributable to minority interest	1,627	0	0%	4,772	0	0%
Total equity	**20,236**	**0**	0%	**35,045**	**0**	0%
Total liabilities + equity	**85,935**	**683**	**1%**	**93,377**	**2,915**	**3%**

Consolidated Income Statement						
(thousands of euros)	**2008**	**Related parties**	**%**	**2007**	**Related parties**	**%**
Revenues from sales and services	37,428	0	0%	40,838	18	0%
Other income	817		0%	2,082		0%
Changes in inventories	-242		0%	1,778		0%
Raw and consumable materials and goods for resale	-7,230		0%	-7,457		0%
Labor costs	-5,163	-1,101	21%	-3,707	-1,040	28%
Amortization and impairment of intangible assets	-15,109		0%	-14,387		0%
Depreciation and impairment of property, plant and equipment	-256		0%	-357		0%
Provisions for doubtful accounts	-1,512		0%	-2,444		0%
Other operating expenses	-24,838	-1,392	6%	-26,579	-1,729	7%
Operating income/(loss)	**-16,105**	**-2,493**	15%	**-10,233**	**-2,751**	27%
Net financial income/(expense)	-1,857		0%	-734	-16	2%
Pre-tax income/(loss) for the period	**-17,962**	**-2,493**	14%	**-10,967**	**-2,767**	25%
Income taxes	2,613		0%	2,309		0%
Net income/(loss) for the year	**-15,349**	**-2,493**	16%	**-8,658**	**-2,767**	32%
Net income/(loss) attributable to minority interest	-3,686		0%	-3,338		0%
Group net income/(loss) for the period	**-11,663**	**-2,493**	21%	**-5,320**	**-2,767**	52%
Earnings per share	**-2.6482**			**-1.2080**		

Consolidated Statement of Cash Flows

(thousands of euros)	**2008**	**Related parties**	**%**	**2007**	**Related parties**	**%**
A. CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,275			3,157		
Net income/(loss) attributable to shareholders of the Parent	-11,663	-2,493	21%	-5,320	-2,767	52%
Net income/(loss) attributable to minority interest	-3,686	0	0%	-3,338	0	0%
Total net income/(loss) for the period	-15,349	-2,493	16%	-8,658	-2,767	32%
Amortization, depreciation and impairments	16,877	0	0%	17,188	0	0%
Net change in allowances	-1,410	0	0%	2,161	0	0%
Cash flows from operating activities before changes in working capital	118	-2,493	-2113%	10,691	-2,767	-26%
(Increase) decrease in trade receivables	-1,713	127	-7%	-9,201	-147	2%
(Increase) decrease in inventories	224	0	0%	-1,836	0	0%

(Increase) decrease in deferred tax assets	-2,214	0	0%	489	0	0%
(Increase) decrease in other assets	698	0	0%	264	198	75%
Increase (decrease) in accounts payable	-732	-143	20%	8,153	317	4%
Increase (decrease) in tax liabilities	-508	0	0%	-2,364	0	0%
Increase (decrease) in other liabilities	-259	0	0%	-871	0	0%
B. NET CASH FLOW PRODUCED FROM (USED IN) OPERATING ACTIVITIES	-4,386	-2,509	57%	5,325	-2,399	-45%
(Investment in) disposals of fixed assets						
- Intangible assets	-6,947	0	0%	-13,018	0	0%
- Property, plant and equipment	-365	0	0%	-71	0	0%
- Financial assets	-72	0	0%	-254	0	0%
C. NET CASH FLOW USED IN INVESTING ACTIVITIES	-7,384	0	0%	-13,343	0	0%
Capital transactions	539	0	0%	3,774	3,321	88%
Allocation of stock options	0	0		-48	0	
(Increase) decrease in loans and receivables and securities	-148	-583	394%	-185	6	-3%
Increase (decrease) in borrowings	8,726	-596	-7%	4,595	-2,637	-57%
D. NET CASH FLOW USED IN FINANCING ACTIVITIES	9,117	-1,179	-13%	8,136	690	8%
E. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	-2,653	-3,688	139%	118	-1,709	-1448%
F. CASH AND CASH EQUIVALENTS AT END OF YEAR	2,173			3,275		

2.6 SEGMENT INFORMATION

The Group's activities may be essentially divided into two main categories:

- Production activities and the sale of rights relating to cartoons and animated films
- Production activities and cinema, home video and television distribution of films.

The former activities are carried out by the Parent Company, Mondo TV, and its subsidiaries, Mim, Mondo France, Mondo Spain, Doro, Mondo Distribution, Mondo Licensing and Mondo TV Kids.

The latter activities are carried out by Mondo Home Entertainment and its subsidiaries, Moviemax, MEG and Mondo Cinema (in liquidation).

A breakdown of the Income Statement by business segment for 2008 and 2007 is shown below.

Segment analysis: Income Statement for 2008

Income Statement	Cartoon films	Films and home videos	Consolidated
Revenues from sales and services	4,143,526	33,284,011	37,427,537
Other income	397,717	419,583	817,300
Change in inventories	-17,816	-224,248	-242,064
Raw and consumable materials and goods for resale	-456,012	-6,774,222	-7,230,234
Labor costs	-1,559,277	-3,603,454	-5,162,731
Amortization and impairment of intangible assets	-4,709,616	-10,398,945	-15,108,561
Depreciation and impairment of property, plant and equipment	-203,959	-52,208	-256,167
Impairments of receivables	-1,061,726	-450,000	-1,511,726
Other operating expenses	-4,491,244	-20,346,893	-24,838,137
Operating income/(loss)	**-7,958,407**	**-8,146,376**	**-16,104,783**
Net financial income/(expense)	-110,774	-1,746,132	-1,856,906
Pre-tax income/(loss)	**-8,069,181**	**-9,892,508**	**-17,961,689**
Income taxes	67,212	2,545,572	2,612,784
Net income/(loss) for the year	**-8,001,969**	**-7,346,936**	**-15,348,905**
Net income/(loss) attributable to minority interest	**-10,233**	**3,696,329**	**3,686,096**
Net income/(loss) for the year	**-8,012,202**	**-3,650,607**	**-11,662,809**

Segment analysis: Income Statement for 2007

Income Statement	Cartoon films	Films and home videos	Consolidated
Revenues from sales and services	8,883,233	31,954,281	40,837,514
Other income	209,006	1,873,126	2,082,132
Change in inventories	-47,927	1,826,399	1,778,472
Raw and consumable materials and goods for resale	-192,207	-7,264,943	-7,457,150
Labor costs	-1,367,865	-2,338,808	-3,706,673
Amortization and impairment of intangible assets	-4,430,322	-9,957,147	-14,387,469
Depreciation and impairment of property, plant and equipment	-320,445	-36,370	-356,815
Impairments of receivables	-2,330,571	-112,934	-2,443,505
Other operating expenses	-4,548,078	-22,031,122	-26,579,200
Operating income/(loss)	**-4,145,176**	**-6,087,518**	**-10,232,694**
Net financial income/(expense)	-303,414	-431,027	-734,441
Pre-tax income/(loss)	**-4,448,590**	**-6,518,545**	**-10,967,135**

Income taxes	-152,568	2,461,856	2,309,288
Net income/(loss) for the year	**-4,601,158**	**-4,056,689**	**-8,657,847**
Net income/(loss) attributable to minority interest	28,067	**-3,365,593**	**-3,337,526**
Net income/(loss) for the year attributable to the Parent	**-4,629,225**	**-691,096**	**-5,320,321**

Segment analysis: Balance Sheet at December 31, 2008

BALANCE SHEET		Cartoon films	Films and home videos	Consolidated
ASSETS				
Non-current assets				
- Goodwill		500	5,666,124	5,666,624
– Intangible rights (library)		12,654,730	14,907,441	27,562,171
- Other intangible assets		77,112	345,530	422,642
Intangible assets		12,732,342	20,919,095	33,651,437
Property, plant and equipment		353,711	271,118	624,829
Equity investments		71,851	0	71,851
Deferred tax assets		13,268,310	1,872,572	15,140,882
Financial receivables		0	602,510	602,510
Trade receivables and other receivables		23,789	61,318	85,107
	Total	**26,450,003**	**23,726,613**	**50,176,616**
Current assets				
Closing inventory		0	3,128,669	3,128,669
Trade receivables and other receivables		8,124,427	21,844,833	29,969,260
Direct tax credits		83,418	125,338	208,756
Negotiable securities accounted for at fair value		0	41,093	41,093
Other assets		91,291	147,052	238,343
Cash and cash equivalents		563,851	1,609,393	2,173,244
	Total	**8,862,987**	**26,896,378**	**35,759,365**
TOTAL ASSETS		**35,312,990**	**50,622,991**	**85,935,981**
EQUITY AND LIABILITIES				
Equity				
Share capital issued		2,202,069	0	2,202,069
Share premiums		57,325,040	0	57,325,040
Legal reserve		430,414	0	430,414
Foreign currency translation reserve		-1,523	0	-1,523
Retained earnings/(accumulated losses)		-34,486,446	4,801,911	-29,684,535
Net income/(loss) for the period		-8,012,202	-3,650,607	-11,662,809
	Group equity	**17,457,352**	**1,151,304**	**18,608,656**
Net income/(loss) attributable to minority interest		**539,766**	**1,087,145**	**1,626,911**
	Total	**17,997,118**	**2,238,449**	**20,235,567**
Non-current liabilities				
Borrowings		0	222,565	222,565
Deferred tax liabilities		370,027	425,476	795,503

Provisions for employee termination indemnities		182,403	326,939	509,342
Provisions		98,529	100,338	198,867
	Total	**650,959**	**1,075,318**	**1,726,277**
Current liabilities				
Trade payables and other payables		8,979,948	21,381,848	30,361,796
Direct taxes due		10,532	842,648	853,180
Borrowings		3,337,107	26,239,117	29,576,224
Provisions		200,000	1,365,475	1,565,475
Other liabilities		1,447,862	169,600	1,617,462
	Total	**13,975,449**	**49,998,688**	**63,974,137**
TOTAL EQUITY AND LIABILITIES		**32,623,526**	**53,312,455**	**85,935,981**

Segment analysis: Balance Sheet at December 31, 2007

BALANCE SHEET		**Cartoon films**	**Films and home videos**	**Consolidated**
Non-current assets				
- Goodwill		500	6,951,875	6,952,375
– Intangible rights (library)		16,123,933	18,583,144	34,707,077
- Other intangible assets		133,141	20,413	153,554
Intangible assets		16,257,574	25,555,432	41,813,006
Property, plant and equipment		361,837	154,652	516,489
Deferred tax assets		11,262,272	1,712,635	12,974,907
Financial receivables		0	245,000	245,000
Trade receivables and other receivables		13,926	46,640	60,566
	Total	**27,895,609**	**27,714,359**	**55,609,968**
Closing inventory		0	3,352,918	3,352,918
Trade receivables and other receivables		7,054,231	22,713,717	29,767,948
Tax credits		102,247	58,796	161,043
Financial receivables		27,500	19,375	46,875
Negotiable securities accounted for at fair value		0	204,168	204,168
Other assets		90,337	869,126	959,463
Cash and cash equivalents		1,773,014	1,501,842	3,274,856
	Total	**9,047,329**	**28,719,942**	**37,767,271**
TOTAL ASSETS		**36,942,938**	**56,434,301**	**93,377,239**
EQUITY AND LIABILITIES				
Equity				
Share capital issued		2,202,069	0	2,202,069
Share premiums		57,325,040	0	57,325,040
Legal reserve		430,414	0	430,414
Retained earnings/(accumulated losses)		-30,332,622	5,968,519	-24,364,103
Net income/(loss) for the period		-4,629,474	-690,847	-5,320,321
	Group equity	**24,995,427**	**5,277,672**	**30,273,099**
Share attributable to minority interest		**529,533**	**4,242,813**	**4,772,346**
	Total	**25,524,960**	**9,520,485**	**35,045,445**

Non-current liabilities

Borrowings		13,538	1,716,273	1,729,811
Deferred tax liabilities		409,099	1,667,019	2,076,118
Provisions for employee termination indemnities		165,137	258,711	423,848
Provisions		293,452	180,832	474,284
	Total	**881,226**	**3,822,835**	**4,704,061**
Current liabilities				
Trade payables and other payables		6,460,445	24,633,170	31,093,615
Taxes due		12,374	67,725	80,099
Borrowings		1,490,323	16,301,265	17,791,588
Provisions		0	2,784,946	2,784,946
Other liabilities		1,668,781	208,704	1,877,485
	Total	**9,631,923**	**43,995,810**	**53,627,733**
TOTAL EQUITY AND LIABILITIES		**36,038,109**	**57,339,130**	**93,377,239**

The table below provides comparative revenues by geographical area for 2008 and 2007. Revenues are attributed to a particular geographical area solely on the basis of the purchaser's nationality. The territorial distribution of concession rights is not therefore taken into account.

Breakdown of revenues by geographical area

(thousands of euros)	**2008**		**2007**		**2008-2007**	
Geographical area	**absolute**	**%**	**absolute**	**%**	**absolute**	**%**
Italy	32,625	86%	36,300	81%	-3,675	-10%
Europe	4,535	12%	5,992	13%	-1,457	-24%
Asia	294	1%	1,948	4%	-1,654	-85%
Americas	86	0%	350	1%	-264	-76%
Africa	463	1%	108	0%	355	329%
Total revenues	**38,003**	**100%**	**44,698**	**100%**	**-6,695**	**-15%**

2.7 NOTES TO THE FINANCIAL STATEMENTS

2.7.1 INTRODUCTION

Mondo TV S.p.A. is a joint-stock company founded in Italy and listed in the Rome Companies' Register.
The Company, which has its registered office in Via Brenta 11, Rome, is listed on the Italian Stock Exchange (STAR segment). Group subsidiaries listed on regulated markets include Mondo Home Entertainment S.p.A. (Italian Stock Exchange - Espandi segment) and MIM Mondo IGEL Media A.G. (Hamburg Stock Exchange).

These consolidated financial statements were approved for publication by the Parent Company's Board of Directors on April 9, 2009.

The main activities of the Company and its subsidiaries are described in the report on operations.

Figures are expressed in euros, as this is the currency most of the Group's transactions are carried out in. Foreign

activities are reported in the consolidated accounts in accordance with the principles outlined in the following notes.
All the figures in these consolidated financial statements are expressed in thousands of euros, unless otherwise indicated.

The Mondo TV Group's consolidated financial statements for the year ended December 31, 2008 includes a Balance Sheet, an Income Statement, a Statement of Cash Flows, a Statement of Changes in Equity and Notes. They have been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure provided for in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and Council of Europe of July 19, 2002 and pursuant to art. 9 of Legislative Decree no. 38/2005.
IFRS include all International Financial Reporting Standards, International Accounting Standards (IAS) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC), ratified by the European Commission at the date of approval of the consolidated financial statements by the Board of Directors of the Parent Company and contained in the relevant EU regulations published at this date.

The IASB and the IFRIC have approved certain amendments to IFRS and certain interpretations, some of which have already been published in the Official Gazette of the European Community, and were applicable for the first time from January 1, 2007, or amendments and interpretations already issued but applicable to financial statements published subsequent to January 1, 2008 or January 1, 2009. The changes, and their relevance or otherwise to the Group, are indicated below.

The following standards, updates and interpretations, which came into effect on January 1, 2008, are not relevant to the Group's consolidated financial statements:

IFRIC 12 – “Service Concession Arrangements”. This interpretation clarifies accounting methods regarding assets (fixed assets to be relinquished) and liabilities (provisions for repair and replacement) as well as revenues and costs relating to services provided under concession between a public authority and a private company.
IFRIC 11 – IFRS 2 – “Group and Treasury Share Transactions”. The interpretation clarifies the reporting of share-based payment involving own equity instruments between companies within a Group.
IFRIC 14 – IAS 19 – “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. This interpretation sets limits for reporting pension plan assets.

The following standards, updates and interpretations, which came into effect from January 1, 2009, are relevant to the Group's consolidated financial statements:

IAS 1 – “Presentation of Financial Statements”. The updated version of IAS 1 introduces, amongst others, the obligation to include a statement of comprehensive income represented by the net income/(loss) plus income and expenses that, in accordance with IFRS, are directly recognized in equity.
IFRS 8 – “Operating Segments”. IFRS 8 specifies how an entity should report information regarding operating segments in its financial statements. It also defines information requirements regarding products and services, and the geographical areas in which an entity's major clients operate.

The following standards, updates and interpretations, which will come into effect from January 1, 2010, are relevant to the Group's consolidated financial statements:

IAS 23 – “Borrowing Costs”. The updated version of IAS 23 provides for the capitalization of borrowing costs incurred for the acquisition, construction or production of an asset (which requires a significant period of time to be ready for its

planned use or sale); the option available under the previous version, allowing recognition of all borrowing costs as immediate expense, has been eliminated.
IFRIC 13 – “Customer Loyalty Programmes”. This interpretation addresses how companies that grant their customers loyalty award credits (points, miles, etc.) should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.
IFRS 3 – “Business Combinations” and IAS 27 – “Consolidated and Separate Financial Statements”. The new provisions of IFRS 3 regard, amongst other things, recognition in the income statement of ancillary costs connection with business combinations, as well the option to report the entire amount of goodwill arising from such transactions, thereby also taking into account the portion attributable to the minority interest (the full goodwill method).
The new version of IAS 27 stipulates, amongst other things, that the effects deriving from the acquisition (or sale) of portions of investments subsequent to assumption of control (without loss of control) are to be recognized in equity.

2.7.2 CONSOLIDATION

(a) Basis of consolidation

The consolidated financial statements for the year ended December 31, 2008 include the financial statements of the Parent Company, Mondo TV SpA, and of all the subsidiaries and companies over which the Group exercises joint control.

The financial positions and results of operations of the consolidated companies, approved by their respective boards of directors, were used in preparing the consolidated financial statements at December 31, 2008. The financial positions and results of operations prepared by subsidiaries were adjusted by the Parent Company to bring them into line with IFRS.

A list of consolidated companies, as well as details of the consolidation methods applied, is shown in Annex 3.4 of this report.

(b) Subsidiaries

Subsidiaries comprise all those companies (including special purpose entities) for which the Group has the power to decide on financial and operating policies.
Moreover, the Group generally has at least half of the effective or potential voting rights plus one at the shareholders’ meetings of such companies.
Subsidiary companies are consolidated as of the date of acquisition of the Group’s controlling interest, and are deconsolidated as of the date on which such control ceases.

Acquisitions of subsidiaries are recorded using the purchase accounting method. The purchase cost is calculated as the fair value of assets sold, or of liabilities incurred or assumed, on the transaction date, plus the costs directly attributable to the acquisition. Separately identifiable assets and liabilities are initially accounted for at their fair value on the date of acquisition, without taking account of the shares in profits of minority shareholders. Any addition to the purchase cost with respect to the fair value of the portion of the net assets acquired by the Group is, where appropriate, recorded as goodwill or, otherwise, posted to the Income Statement.

When significant, transactions, inter-company balances and unrealized gains deriving from transactions between Group companies, are eliminated. Unrealized losses generated by transactions between Group companies are also eliminated, when significant, unless the transaction provides evidence of a loss of value in the asset transferred.

The portions of equity and net income/(loss) for the year attributable to minority shareholders are shown separately in the Balance Sheet and Income Statement.

Put options granted to minority shareholders are recorded under liabilities at the current value of the estimated future cash outflow.

In the case of a liability where the price of exercising the options is fixed or may be determined, the portion of minority shareholders' interest is charged up to its carrying amount and, for any residual amount, goodwill.

If the price of exercising the options corresponds to their fair value at the time of exercise, the entire amount is charged to the counter-entry for Group equity.

(c) Jointly controlled companies

Jointly controlled companies comprise companies in which, based on contractual agreements between all or some of the shareholders, decisions regarding financial and operating policies require the consensus of the shareholders who are party to said agreements. The accounts of companies over which the Group exercises joint control with other parties (joint ventures) are recorded with the proportional consolidation method.

Under this method, the Group accounts for its share of revenues and costs, assets and liabilities and cash flows in a joint venture on a line-by-line basis.

Unrealized gains deriving from transactions between the Group and joint ventures are eliminated, when significant, in proportion to the Group's interest in the joint venture. Unrealized losses are also eliminated, when significant, unless the transaction provides evidence of a loss in the value of the asset transferred.

The accounting policies of joint ventures have been adapted to those used by the Parent Company.

(d) Associates

Associate companies comprise those companies that are different from subsidiary and jointly controlled companies over which the Group exercises considerable influence. The Group generally holds a percentage of voting rights ranging between 20% and 50% regarding said companies. Investments in associates are initially accounted for at cost and subsequently using the equity method.

The Group's share of profits and losses made by associates after acquisition is posted to the Income Statement and offset in the value of the investment.

When the Group's interest in the losses of an associate is equal to or more than the value of the investment, including any unsecured loan due from the company, the Group does not account for any further losses in addition to the write-off of the investment, unless there are existing obligations or payments have been made on behalf of the associate.

Unrealized gains deriving from transactions between the Group and its associates are eliminated, when significant, in proportion to the Group's interest in the associate. Unrealized losses are also eliminated, when significant, unless the transaction provides evidence of a loss in the value of the asset transferred.

Changes within the basis of consolidation at December 31, 2008, compared with December 31, 2007, are as follows.

Mondo TV Spain	Incorporation of the company
Mondo TV Kids	Incorporation of the company
MEG	Increase in the percentage of consolidation
Mondo Home Entertainment	Increase in the percentage of consolidation of Mondo Home, which rises from 55.51% to 56.97% due to Mondo TV's acquisition of a 1.46% stake in the company

Subsidiaries are consolidated on a line-by-line basis. Accordingly, the assets and liabilities and the income and expenses of consolidated companies are fully accounted for in the consolidated financial statements, and the carrying amount of investments is eliminated against the corresponding portion of the equity of subsidiaries, by attributing the fair value of individual assets and liabilities at the date of acquisition of the controlling interest. Any positive residual difference is recorded amongst non-current assets as "Goodwill arising from consolidation", and any negative difference is charged to the Income Statement.

Changes to the accounts of subsidiaries may be required to align the accounting standards with those of the Group.

2.7.3 ACCOUNTING STANDARDS AND POLICIES

The policies applied during the preparation of the consolidated financial statements for the year ended December 31, 2008 are described below.

The consolidated financial statements have been prepared in accordance with cost accounting, except for specific cases described in the Notes below, for which fair value has been applied.
The key accounting policies adopted by the Mondo TV Group in preparing the above schedules and the Company's own financial statements are described below.
Details of accounting policies applied in the preparation of the consolidated accounts are provided below.

Property, plant and equipment
Such assets are recorded at purchase or production cost or at the value on transfer to the Group, inclusive of additional costs and the cost of preparing the asset for use. The assets are depreciated on a straight-line basis in accordance with rates of depreciation that take account of the expected economic benefits of the assets.
In the case of industrial and commercial equipment, the rates of depreciation applied range from 12 to 20%.

Intangible rights and other intangible assets
Intangible assets are recorded at purchase or production cost, inclusive of additional costs in accordance with the policies previously described for property, plant and equipment. In the event of co-productions that, in addition to cash payments, also envisage the concomitant transfer of a portion of the rights to the co-producer, the cost is recorded net of invoicing.

In the event of the purchase of intangible assets whose availability for use and related payments are deferred beyond the normal terms, the purchase value and the related payable are discounted back and the financial charges implicit in the original price are recorded.

Film and animated series rights, which constitute the Group's "library", are amortized on the basis of the so-called "individual-film-forecast-computation method". This is based on revenues realized at the balance sheet date for each title in the library, based on the sales plans drawn up by the Directors and taking into account a time horizon of 10 years from release of the title, as a percentage of total expected revenues. Amortization begins when a title is completed and may be commercially exploited.

Long-term contracts regarding home video licenses, which entail acquisition of film and animated series rights, are recorded among intangible assets on delivery of the master copy by the supplier. The value recorded is the higher of the contracted minimum guarantee and the total royalties projected based on the plan to exploit the films and animated series. Any amounts paid before delivery of the master copy are recorded among other assets as advances to suppliers.

These films and animated series are amortized in accordance with the "individual-film-forecast-computation method". This is based on revenues realized at the balance sheet date, based on the sales plans drawn up by the Directors and taking into account a time horizon of 10 years from release of the title, as a percentage of total expected revenues.

Goodwill, goodwill arising from consolidation and other long-lived assets are not systematically amortized, but are subject to annual impairment tests. Any impairments are not subsequently reversed.

The recoverability of their value is tested in accordance with the criteria established by IAS 36 and described below.

Impairment

At each balance sheet date intangible assets with a defined useful life are analyzed in order to identify any indicators, deriving from both external and internal Group sources, of a loss in their value. If any such indicators are identified, the recoverability of the value of these assets is estimated, and any impairment is recorded in the income statement. The recoverable value of an asset is the higher of its fair value, less costs to sell, and its value in use, where the latter is the current value of future estimated cash flows deriving from this asset. Value in use is calculated on the basis of the discounted cash flow method applied to the future estimated cash flows, which reflect the current market value of money linked to the investment period and the specific risks relating to the asset.

Inventories

Inventories are recorded at the lower of purchase or production cost, inclusive of the any incidental expenses (FIFO method), and their estimated realizable value calculated on the basis of market prices.

Receivables

Trade receivables and other receivables are initially recognized at fair value. The initial value is subsequently adjusted to take account of capital repayments, any impairments and the amortization of the difference between the repayment value and the initially recognized value. Amortization is carried out based on the effective internal interest rate represented by the rate which, at the time of initial recognition, brings the current value of estimated cash flows and the initial recognized value into line (the so-called amortized cost method).

Provisions for doubtful accounts, which are recorded to ensure that receivables are shown at their estimated realizable value, reflect impairments applied on the basis of clear evidence of impairments of trade receivables. These impairments, which are based on the most recently available information to management and their best estimates, are carried out so as to bring the value of such receivables into line with the present value of expected future cash flows. Provisions for doubtful accounts are recorded as deductions in "Trade receivables".

Provisions for doubtful accounts are classified in the income statement under the item "Provisions for doubtful accounts". The same classification is used for any uses and for impairments of trade receivables.

Financial assets

Financial assets are reported and reversed from the financial statements on the basis of the transaction date, and are initially valued at cost, inclusive of any expenses directly attributable to the purchase.

At subsequent balance sheet dates, any financial assets the Group intends and is able to hold to maturity (securities held to maturity) are recorded at amortized cost, calculated according to the effective interest method, less impairments.

Financial assets other than those held to maturity are classified as being held for trading or available for sale and are recorded at fair value at the end of each period. In the case of financial assets held for trading, profits and losses deriving from changes in their fair value are taken directly to equity until they are disposed of or a loss is realized. Under either circumstance, any overall profits or losses previously taken to equity are taken to the Income Statement for the period.

Cash and cash equivalents

Cash and cash equivalents include cash and bank current accounts, demand deposits and other short-term financial assets easily converted into liquidity and not subject to significant risk of a change in value (may be converted into liquidity within 90 days. They are recorded at fair value and the relative changes are recognized in the income statement.

Bank overdrafts are recorded amongst "Short-term borrowings".

Short-term bank loans are recorded under net cash flow from financing activities in the statement of cash flows.

Guaranteed minimums

Guaranteed minimums represent portions of total contractual commitments already invoiced by suppliers, which generally coincide with the value of rights already made available for commercialization by the supplier. The remaining portions, which have yet to be invoiced, deriving from contracts entered into with suppliers are recorded amongst commitments.

Both the receivables recorded as minimum guarantees and those posted among commitments are assessed in order to determine any losses in value based on sales forecasts and revenue projections made by the Directors.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded according to the amounts received, net of transaction costs, and are subsequently valued at amortized cost, calculated according to the effective interest method.

Trade payables, other payables and financial payables

Trade payables, other payables and financial payables are initially recognized at fair value. The initially recognized value is subsequently adjusted to take account of capital repayments and the amortization of the difference between the repayment value and the initially recognized value. Amortization is carried out based on the effective internal interest rate represented by the rate which, at the time of initial recognition, brings the current value of estimated cash flows relating to the liability and the initial recognized value into line (the so-called amortized cost method).

If a change occurs in cash flows that may be reliably estimated, the value of the payables is restated to reflect the effect of this change based on the current value of the new cash flows and the initially calculated internal rate of return.

Tax credits and taxes due

"Tax credits" and "Taxes due" include all amounts due to and from the tax authorities relating exclusively to direct taxation. Amounts due for indirect taxation are recorded among "Other payables".

Provisions

Provisions are recorded when: (i) the existence of current obligation, legal or tacit, resulting from past events, is probable; (ii) compliance with the obligation is likely to be onerous; and (iii) the amount of the obligation may be reliably estimated. The provisions are recorded at the best estimate of the amount that the Company might reasonable pay to settle the obligation or transfer it to third parties. When the financial effect over time is significant and the payment dates for obligations may be reliably estimated, the provisions are updated. The rate used in calculating the current value of a liability reflects current market values and includes the additional effects deriving from the specific risk associated with each liability. Increases in provisions over the course of time are recognized in the income statement under the item Financial income/(expense).

Provisions are periodically updated to reflect changes in cost estimates, term to maturity and the discount rate. Revised estimates of provisions are recognized in the same item of the income statement where the provisions were previously recorded, namely when a liability relates to an asset, it offsets the asset to which it refers.

Potential liabilities, which are shown in the notes, consist of: (i) possible (but not probable) obligations, deriving from past events, the existence of which will only be confirmed by the occurrence of one or more uncertain future events not completely within the Company's control; and (ii) current obligations deriving from past events, of which the amount may not be reliably estimated, or the fulfillment of which is unlikely to result in an outflow of resources to settle the liability.

Provisions also include employee termination benefits based on plans, which have yet to be formalized. These break down into "defined contribution" and "defined benefit" plans. In defined contribution programs, the Company's obligation is limited to paying contributions to the state, or to a fund or legally separate entity, and is calculated on the basis of due contributions.

Liabilities relating to defined benefit plans (which include provisions for employee termination benefits), less any plan assets, are subject to actuarial calculation and recorded in terms of the number of years of employment required to obtain such benefits. This liability is assessed by independent actuaries.

Dividends

Dividends are posted to the Income Statement for the year in which they are approved.

Revenue recognition

Sales and service revenues are recognized on transfer of the significant risks and benefits deriving from ownership or completion of the service. In the case of rights, the transfer of risks and benefits is recognized on delivery of the related material in accordance with contractual provisions.

Revenues are reported net of returns, discounts, bonuses and premiums, and of any direct taxes.

Cinema revenues are recorded at the time a film is released.

Revenues from the exploitation of TV rights (Pay, Pay per View, Free) are reported when the risks and benefits deriving from ownership are actually transferred. Three conditions, based on international accounting standards relating to revenue recognition, must be met: 1. a contract must be signed; 2. the physical material must be delivered; and 3. rights must be negotiable.

Revenues are reported net of returns, discounts, bonuses and premiums, and of any direct taxes.

Revenues deriving from VHS/DVD sales contracts are recognized on the basis of the actual delivery of materials, net of any discounts applied and returns effected at the balance sheet date. Revenues are further reduced to take into account future returns relating to sales carried out during the year.

Recognition of revenues deriving from V.O.D. (Video On Demand) sales or sales of TV/newspaper stand rights take account of the duration of the rights ceded to the customer and thus only that portion accrued at the balance sheet date is posted to revenues.

Revenues are recorded gross of royalties or other types of cost involved in the use of rights in which the risks relating to the disposal (especially counterparty risk, price risk, credit risk) essentially remain with the Company. For this reason revenues from sales and services are recognized and reported for the overall amount that final customers are invoiced, given that the cost of remunerating the holders of distribution rights is reported under operating costs.

Interest income is recorded on an accruals basis according to the amount financed and the interest rate applied. The latter represents the discount rate applied to estimated future earnings, calculated over the expected useful life of the financial asset, in order to restore them to the book value of the asset itself.

Co-production and license contracts

In order to bring the Group into line with relevant international practice implemented by companies operating in the sector, and to improve reporting of the characteristics of transactions concluded by the Group and the contracts that regulate them, the directors have decided to change the accounting standard adopted in previous financial statements relating to the processing of transactions entered into with co-producers, as well as the concomitant signing of co-production contracts and the partial transfer of rights for co-produced titles. The commercial agreements entered into during 2008 provide for the repayment of costs by the co-producer to Mondo TV within the scope of the predetermined budget at the end of the various phases involved in making the film.

If the amount billed by the co-producer for services provided exceeds the amount billed for the partial transfer of exploitation rights, the Group records the excess amount as an intangible asset. If the amount billed by the co-producer is less, the excess amount is recorded as revenue for the period.

For contracts that provide for repayment of costs, the billed amounts due are deducted from costs incurred. Amortization of the intangible asset is deferred until the time - defined as the delivery date of the film - when the company starts to commercially exploit the title and generate revenues from third parties.

International accounting standards do not specifically regulate this kind of transaction. Pursuant to IAS 8, paragraph 10, in the absence of specific regulations the directors must choose an accounting principle that produces relevant accounting information and reflects the economic substance of the transaction. The Directors have decided that the net accounting method allows for a reliable accounting treatment and better reflects the effects of the transaction and is more in line with international practice and other reference standards such as US GAAP, as permitted in paragraph 12 of IAS 8.

Lease transactions

Leases are classified as finance leases whenever the terms of a contract are such that all risks and benefits deriving from the property are transferred to the lessee. All other leases are regarded as operating.

Assets covered by finance leases are recorded as Group assets at the lower of their fair value at the contract date or the current value of the minimum rentals due under the lease. The corresponding liability to the lessor is reported in the Balance Sheet under payables under financial leases. Lease rentals are subdivided into principal and interest elements in order to obtain a constant interest rate on the residual liability. Interest expense is taken directly to the Income Statement for the period, unless it refers to specific assets.

Rentals deriving from operating leases are recorded on a straight-line basis over the duration of the contract, as are the benefits received or to be received as incentives for operating leases.

Foreign currency transactions

During preparation of the accounts of the individual companies, transactions denominated in currencies other than the euro are initially recorded at the historical exchange rate. At the balance sheet date monetary assets and liabilities denominated in the above currencies are converted using closing exchange rates. Any differences are taken to the Income Statement for the period.

Taxes

Income taxes for the period refer to the sum of current and deferred taxes.

Current taxes are based on taxable income for the period. Taxable income differs from the result for financial reporting purposes as it does not include revenues and income that will be taxable or deductible in other periods, and excludes items that will never be taxable or deductible. Current tax liabilities are calculated at current rates or at rates that were valid at the balance sheet date.

Deferred taxes are taxes that are expected to be paid or recovered on timing differences between the carrying amount of an asset or liability in the Balance Sheet and its tax base. These are recorded according to the balance sheet liability method. Deferred tax liabilities are usually shown for all taxable temporary differences, whilst deferred tax assets are shown only where such assets are considered likely to be recovered in future years. Such assets and liabilities are not recorded if the temporary differences are the result of goodwill or the initial entry (not in the case of business combinations) of other assets or liabilities deriving from transactions that do not affect either the result for financial reporting purposes or taxable income.

Deferred tax liabilities are shown on the basis of taxable timing differences relating to equity investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the cancellation of these temporary differences and when it is likely that the latter will not cancel themselves out in the near future.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced if sufficient taxable income to allow the partial or complete recovery of the assets is no longer thought to exist.

Deferred taxes are calculated on the basis of the tax-rate expected to be valid at the time of recovery of the asset or the payment of the liability. Deferred taxes are taken to the Income Statement, with the exception of items posted directly to equity, in which case the related deferred taxes are also shown under equity.

Share-based payments

In order to report share-based payments the fair value at the date of allocation of issued option rights is used. The cost of options expected to fall due is recorded under labor costs during the period in which the rights mature offset by a specific equity reserve. The estimate of the number of instruments expected to mature is reviewed at each balance sheet date and the effects of the revised estimate are taken to the Income Statement.

Critical accounting estimates and assumptions

Preparation of the accounts and notes under IFRS requires management to make estimates and assumptions that have an impact on the values assigned to assets and liabilities in the financial statements at the balance sheet date and in the related notes.

The estimates and assumptions are periodically reviewed and the effects of any change are immediately posted to the Income Statement.

The balance sheet items primarily influenced by the estimates are the following:

- A significant portion of the sales revenues generated by Mondo Home Entertainment S.p.A. and Mondo Entertainment Gmbh derive from contracts in which the purchaser has the right to return any unsold goods. Future returns have been subjected to estimates by the managers with responsibility for this sector.

- Film and animated series rights, which constitute the Group's "library", are amortized on the basis of the so-called "individual-film-forecast-computation method". This is based on revenues realized at the balance sheet date for each title in the library, based on the sales plans drawn up by the Directors and taking into account a time horizon of 10 years from release of the title, as a percentage of total expected revenues. Amortization begins when a title is completed and may be commercially exploited. In the preparation of these consolidated financial statements, the calculation of amortization took account of the effect of lower than expected sales of certain library titles.
- Goodwill, goodwill arising from consolidation and other long-lived assets are not systematically amortized, but are subject to annual impairment tests. Any impairments are not subsequently reversed.
- In financial terms the deferred tax assets shown in the financial statements reflect the Board of Directors of the Parent Company and the competent bodies of other Group companies' assessment of the probability that sufficient taxable profits will be generated in future years to allow the recovery of deferred tax assets.

Derivatives

A derivative is a financial instrument:

- whose value depends on an underlying variable such as an interest rate, the price of a raw material or financial asset, or an index;

- that does not require financial investment, or an investment less than would be required for a contract that is equally sensitive to market variations;

- that has a future settlement date.

Derivatives are classified as hedging instruments when the relationship between the derivative and the hedged asset or liability is formally documented and the periodically verified effectiveness of the hedge is high.
When derivatives hedge the risk of changes in the fair value of hedged instruments (fair value hedge; for example, hedging variations in the fair value of fixed rate assets and liabilities), the derivatives are recorded at fair value with recognition of the effects in the income statement. Consequently, the hedged instruments are adjusted to reflects changes in fair value associated with the hedged transaction. When derivatives hedge the risk of variations in the cash flows of hedged instruments (cash flow hedge: for example, hedging variations in the cash flows of assets or liabilities due to fluctuations in interest rates, the changes in the fair value of the derivatives are initially recorded under equity and subsequently taken to the income statement in accordance with the economic effects produced by the hedged transaction.

Derivative financial instruments that do not meet the conditions provided for by hedging accounting in compliance with IAS 39 are recorded at fair value and the change in the fair value is posted in the income statement under the item "Financial income/(expense)".

Calculation of the fair value of financial instruments

The fair value of financial instruments listed on active markets is calculated using the relative bid price at the closure of the relevant period. In the absence of an active market, the fair value is calculated by using valuation models that are primarily based on objective financial variables, as well as taking into account, where possible, of the prices recorded for recent transactions and quotations for similar financial instruments.

Earnings per share

Earnings per share is determined by dividing the Group's net income by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated, regarding the net result as well as the weighted average, by taking account of the effects connected with the subscription/total conversion of all the potential shares that might be issued by the exercise of any options in circulation.

2.7.4 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Changes in intangible rights and other intangible assets are analyzed in the table below.

Changes in intangible assets				
(thousands of euros)	**Intangible rights**	**Goodwill**	**Other intangible assets**	**TOTAL**
Cost at Dec 31, 2006	134,265	6,189	993	141,447
Depreciation and impairments at Dec 31, 2006	-98,187	0	-815	-99,002
Net value at Dec 31, 2006	**36,078**	**6,189**	**178**	**42,445**
Previous year				
Increases	13,151	738	55	13,944
Disposals	-1,366			-1,366
Amortization and impairments for the period	-14,308		-79	-14,387
Release of provisions	1,347			1,347
Reclassifications and other movements during the period - costs	-295	25	84	-186
Reclassifications and other movements during the period - provisions	100		-84	16
Cost at Dec 31, 2007	145,755	6,952	1,132	153,839
Amortization and impairments at Dec 31, 2007	-111,048	0	-978	-112,026
Net value at Dec 31, 2007	**34,707**	**6,952**	**154**	**41,813**
Current year				
Increases	8,534	143	264	8,941
Disposals	-1,749			-1,749
Amortization and impairments for the period	-14,937		-172	-15,109
Release of provisions	1,226			1,226
Reclassifications and other movements during the period - costs	-352	-1,428	352	-1,428
Reclassifications and other movements during the period - provisions	133		-176	-43
Cost at Dec 31, 2008	152,188	5,667	1,748	159,603
Amortization and impairments at Dec 31, 2008	-124,626	0	-1,326	-125,952
Net value at Dec 31, 2008	**27,562**	**5,667**	**422**	**33,651**

All the costs shown are reasonably long-term in nature and are systematically amortized according to the criteria described in paragraph 2.7.3.

The increase in intangible rights is primarily due to Mondo Home Entertainment S.p.A., especially the acquisition of temporary licenses for film exploitation rights.

The increase in goodwill, amounting to 143 thousand euros, regards the acquisition of a 10% stake in MEG and of a 1.46% stake in Mondo Home Entertainment S.p.A.

The decrease of 1,428 thousand euros in the value of goodwill includes 1,050 thousand euros regarding cancellation of goodwill and the payable relating to the variable portion of the acquisition price of Moviemax Italia S.r.l., which is no longer due as this additional payment was based on the assumption of achieving a performance target that is no longer deemed feasible. The remaining amount is primarily due to adjustment of the value of the put option regarding acquisition of the remaining 10% stake in Mondo Entertainment Gmbh; Both transactions are described in detail in paragraph 1.9.1.

Test for impairment of Moviemax Italia Srl's goodwill

Pursuant to the provisions of IAS 36, "Impairment of Assets", goodwill amounting to 5,169 thousand euros that was recognized following acquisition of Moviemax Italia Srl in 2006 was subjected to an impairment test (with the assistance of an independent expert) in order to identify any loss in value. On December 31, 2008, when the assessment was carried out, the cash generating unit to which goodwill was allocated for the purposes of the impairment test coincided with Moviemax Italia Srl.
The expert calculated value in use on the basis of projected cash flows for the three-year period 2009-2011, duly discounted, and the final value at the end of the period.
The test was conducted using a discounted projected cash flow rate of 7.98%, calculated using the Capital Asset Pricing Model (CAPM).

Based on the analysis carried out, no evidence of impairment was found.

Given these considerations, the Company's Directors were able to confirm the value of goodwill in the consolidated financial statements for the year ending December 31, 2008.

Test for impairment of the library

Pursuant to IAS 36, at least once a year the Group checks for indications of any loss of value of its assets. If this is the case, it verifies whether the recoverable value is at least equivalent to the carrying amount.
Regarding Moviemax Italia's library, the Company commissioned an independent expert to assess the recoverable value on the basis of individual titles. The expert calculated the recoverable value on the basis of projected operating cash flows during the period of commercial exploitation of a title, duly discounted.
The assessment breaks down as follows:

- gathering of data regarding projected revenues (plan prepared by the Directors);
- allocation of launching costs for each library title in accordance with the business plan for 2010-2014;
- allocation of general overheads (fixed costs);
- calculation of the total tax effect on the discounted cash flow less fixed and variable costs, including the tax benefit deriving from amortization of the rights under assessment;
- determination of the discounted projected cash flow of 7.98%, calculated using the Capital Asset Pricing Model (CAPM).

The estimate of operating cash flows was based on plans drawn up and approved by the Board of Directors.
Based on this calculation, titles with projected cash flows less than the book value, totaling 0.3 million euros, were identified, and the Group has recognized an impairment of this amount. For the other titles, for which the value of projected cash flows exceeds the book value, it is therefore unnecessary to record a loss in value.

Revenue flows and actual costs, and their timeframes, influence the recoverable value of titles and are therefore monitored by the Group in order to identify potential losses in value.
A similar test was conducted by an independent expert on Mondo Home Entertainment S.p.A.'s library, also with a weighted average cost of capital of 7.98%, based on plans prepared and approved by the Company's Board of Directors. The test resulted in an impairment of 0.5 million euros.

Film and animated series rights, which constitute Mondo TV S.p.A.'s "library", are amortized on the basis of the so-called "individual-film-forecast-computation method". This is based on revenues realized at the balance sheet date for each title in the library, based on the sales plans drawn up by the Directors and taking into account a time horizon of 10 years from release of the title, as a percentage of total expected revenues. Amortization begins when a title is completed and may be commercially exploited.
As the Board of Directors has significantly revised down sales estimates for certain titles from the old library, in the light of 2008 sales results, some titles have a net book value that is greater than the expected sales revenues in the remaining years of the amortization calculation period.
The alignment of net book value to expected revenues has resulted in an impairment of Mondo TV S.p.A.'s library, amounting to 2.6 million euros.
An assessment was carried out in accordance with IAS 36, in which the net book value estimated as above was found to be less than this value.

Changes in property, plant and equipment are analyzed in the table below.

Changes in property, plant and equipment

(thousands of euros)	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**TOTAL**
Cost at Dec 31, 2006	1,902	884	619	3,405
Depreciation and impairments at Dec 31, 2006	-1,636	-611	-355	-2,602
Net value at Dec 31, 2006	**266**	**273**	**264**	**803**
Previous year				
Change in basis of consolidation - cost		9		9
Change in basis of consolidation - provisions		-6		-6
Increases due to purchases		14	56	70
Sub-total increases	**0**	**17**	**56**	**73**
Decreases due to disposals		-1	-15	-16
Releases of provisions		1	12	13
Sub-total decreases	**0**	**0**	**-3**	**-3**
Depreciation	**-188**	**-100**	**-69**	**-357**
Sub-total - other changes	**0**	**0**	**0**	**0**
Cost at Dec 31, 2007	1,902	906	660	3,468
Depreciation and impairments at Dec 31, 2007	-1,824	-716	-412	-2,952
Net value at Dec 31, 2007	**78**	**190**	**248**	**516**
Current year				
Increases due to purchases	140	5	230	375
Sub-total increases	**140**	**5**	**230**	**375**
Decreases due to disposals			-17	-17
Releases of provisions			7	7

Sub-total decreases			**-10**	**-10**
Depreciation	**-69**	**-94**	**-93**	**-256**
Reclassifications - costs		-22	22	0
Reclassifications - depreciation		12	-12	0
Sub-total - other changes	**0**	**-10**	**10**	**0**
Cost at Dec 31, 2008	2,042	889	895	3,826
Depreciation and impairments at Dec 31, 2008	-1,893	-798	-510	-3,201
Net value at Dec 31, 2008	**149**	**91**	**385**	**625**

2.7.5 TAX ASSETS AND LIABILITIES

In financial terms the deferred tax assets shown in the financial statements reflect the Board of Directors of the Parent Company and the competent bodies of other Group companies' assessment of the probability that sufficient taxable profits will be generated in future years to allow the recovery of deferred tax assets.

Almost all the deferred tax assets are recognized in the statutory financial statements of the Parent Company, Mondo TV SpA, which has drawn up a 10-year business plan with the following primary objectives:

1. high quality productions
2. strengthening the distribution network
3. opening of new sales channels, especially regarding the licensing plan and the opening of digital terrestrial or satellite television channels around the world.

High quality productions

In the last two or three years the Company has reduced the number of its productions, in order to identify opportunities for making high quality products with good market visibility. In this context management has made contacts with partners who can help in the creation of quality, high-profile productions.

During 2008 these initiatives have resulted in contacts with leading market operators, such as Playpress/RTI and MPG/Ferrero, and also enabled completion of the first part of the animated series Monster and Pirates in 2008 and the signing of production contracts for Angel’s Friends, which will be completed in 2010.

Negotiations are at an advanced stage regarding the making of more productions with the Ferrero Group. Regarding co-productions with RAI, the production of KIM was finally completed during the first quarter of 2009, whilst contracts have already been signed for other productions.

Strengthening the distribution network

The Company invested great efforts on the distribution network front in 2008, and will do even more in 2009. A sales structure comprising 12 sales staff spread worldwide was created. During 2009 the Director, Matteo Corradi, will spend most of his time managing overseas sales. Indeed, the overseas channel is expected to make a substantial contribution to bolstering the Company's turnover.

The tangible effects of sales network productivity consist of the possibility of exploiting the "old library" in new countries. In fact, the dubbing of the whole library in Spanish, French, Arabic and Greek started in recent years is nearing completion, which is in addition to the dubbing already carried out in English and Italian.

Opening of new sales channels

Taking advantage of new high quality series and marketing possibilities, the Company has started using the important licensing channel. So far contracts regarding Angel's Friends, amounting to around 1.5 million euros of guaranteed minimums, have been signed with leading Italian licensees, primarily for Italy, including the most important one with Giochi Preziosi, which will soon start selling products inspired by the series.

After 2009

In subsequent years, in addition to productions already under contract, the aim is to bring in new productions with Playpress and Ferrero alongside the RAI productions, and to start new productions directly with Mondo TV, still with a view to making high quality titles for wide commercial distribution, especially for licensing.

After 2009, subsequent to a small increase due to strengthening of the sales force, a slight decrease in sales of the old library is expected as of 2011. New library sales, however, will rise substantially, driven by the new productions that will gradually be released, plus the minimum guarantees from the new productions together with the royalties exceeding the minimums for the series released in previous years.

The American market is expected to expand significantly in the near future. In 2008 efforts went into incorporating a company in the USA, aimed at launching a digital terrestrial channel in the United States. The idea is to create a channel using titles from Mondo TV's library, to be supplied free of charge to television broadcasters in exchange for 50% of the advertising revenue the broadcaster generates from the channel.

Positive results are expected from this investment, although so far it has been impossible to make reliable estimates for inclusion in the business plan, due to the newness of this business model, the fact that the US launch of digital terrestrial television has been put back to June 2009 and also because the sector is so new it is better to prudently await the start-up of the initiative. However, regarding the launch of the channel, it is estimated that initial revenues could already be reported during 2009.

Based on estimates made by local management, the US company should be able to generate sales revenues rising by from 3 to 5 million euros per year as of 2010, with extremely modest operating costs for the television channel.

Highlights of the Business Plan (2009–2018)

(thousands of euros)		
Old library licenses	39,822	24%
New library licenses	71,220	43%
Executive productions and co-productions	39,080	23%
Licensing and merchandising	13,777	8%
Other operating revenues	2,500	2%
Total operating revenues	**166,400**	**100%**
Total operating expenses	97,719	
EBITDA	68,681	
EBIT	49,598	
Pre-tax profit/(loss)	**51,298**	

Over the next 10 years the above-mentioned plan will enable generation of tax liability of approximately 51 million euros, allowing for a theoretical recovery of deferred tax assets totaling approximately 16 million euros.

The total of the Parent Company's theoretically recordable deferred tax assets amounts to more than 24 million euros, as shown in the following table.

By type	
Amortization and impairments of the library	13,169
Accumulated losses	10,024
Taxed provisions	928
Other temporary differences	163
	24,284

The tax losses may be used in accordance with various due dates in the years 2009-2013, whilst an amount of approximately 13 million euros falls due in relation to temporary differences on rights and will be reversed over the years in accordance with tax amortization of the library. The remaining amounts have shorter maturity periods. Therefore, only those tax losses that may presumably be recovered in accordance with the plan are recorded in the financial statements.

Deferred tax assets and liabilities recorded in the consolidated financial statements are shown below.

Analysis of deferred tax assets and liabilities

(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	**2008-2007**
Accumulated losses and other temporary differences	15,141	12,975	2,166
Total assets	**15,141**	**12,975**	**2,166**
Amortization and other temporary differences	795	2,076	-1,281
Total liabilities	**795**	**2,076**	**-1,281**
Net deferred tax assets	**14,346**	**10,899**	**3,447**

As previously mentioned, the majority of the above deferred tax assets, totaling approximately 12.9 million euros, relate to the Parent Company, Mondo TV. Specifically, around 11 million euros were already registered at December 31, 2007, whilst around 1.9 million euros regard deferred tax assets calculated on the losses of Mondo Home Entertainment at December 31 2008, transferred to Mondo TV SpA in 2009 following the Company's withdrawal from the tax consolidation arrangement, as fully described in the paragraph on subsequent events.

Changes in deferred tax assets and liabilities

(thousands of euros)	**Dec 31, 2007**	**Increases**	**Decreases**	**Reclassifications**	**Other movements**	**Dec 31, 2008**
Assets	12,975	3,764	1,284	1,173	-1,487	15,141
Liabilities	2,076	30	920	1,096	-1,487	795
Net deferred tax assets	**10,899**	**3,734**	**-364**	**77**	**0**	**14,346**

The management has also carefully evaluated the possibility that these provisions might not be made given the risk attached to implementation of the plan. The following remarks were made in this respect:

- old library sales entail very low fixed and direct costs as the library is owned by the Company and the costs of distribution and preparation of relevant materials are low. In addition, remuneration of the sales force is primarily linked to attainment of sales targets.
- like co-productions, new library productions have low margins and therefore any reductions in sales have less effect on year-end results.

- The Company's business generates very low overheads.

In addition, any reductions in revenues expected from the plan would be offset by the revenues generated by the American company. Indeed, the digital terrestrial channel is already online in a protected section reserved for operators, and it is reasonable to expect that the transfer to digital scheduled for June 2009 will make it attractive to broadcasters in search of content. In this case too, income will be generated from royalties on advertising revenue, and therefore the Company should not incur substantial operating expenses.

Consequently, the Directors believe that the recognition of deferred tax assets is justified by their expected recovery, and that regarding Mondo TV, having recognized around 12.9 million euros of deferred tax assets against a business plan that provides for the theoretical recovery of around 16 million euros over the same period, it may be reasonably assumed that even a 10-15% decrease in the revenues forecast in the business plan, which is not currently expected, and without taking into account a reduction in the related costs other than the variable ones, will nevertheless enable recovery of the taxes recorded in the financial statements.

Obviously, full recovery of the deferred tax assets recognized in the financial statements is closely linked to achievement of the objectives set in the plan, which is subject to the typical uncertainty of any business plan projections.

However, the performance registered in the first few months of 2009 demonstrates that the budget targets will be fully met, thus confirming the reliability of the plan drawn up.

Current tax assets and liabilities are broken down in the following table.

Analysis of current tax assets and liabilities			
(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	**2008-2007**
IRES	63	63	0
IRAP	97	98	-1
Tax credits regarding overseas companies	49	0	49
Total receivables	**209**	**161**	**48**
IRES	540	4	536
IRAP	313	76	237
Total taxes due	**853**	**80**	**773**

2.7.6 INVENTORIES

The item refers to year-end stocks of CD ROMs, video and musical cassettes, DVDs, stickers and the related albums linked to a number of animated series for which the Group holds the rights or is the licensee.

At December 31, 2008 provisions for obsolete inventory totaled around 995 thousand euros. This value is held to be consistent with the estimated loss in value of the goods. The value recorded in the financial statements is shown less such provisions.

This item is broken down in the following table (thousands of euros).

Breakdown of warehouse inventory							
(thousands of euros)	Dec 31, 2008			Dec 31, 2007			
	Gross value	**Provisions for obsolete inventories**	**Net value**	**Gross value**	**Provisions for obsolete inventories**	**Net value**	**2008-2007**
Finished products (VHSs /DVDs)	3,958	-995	2,963	3,541	-299	3,242	-279
Consumables	166		166	111		111	55
Total	**4,124**	**-995**	**3,129**	**3,652**	**-299**	**3,353**	**-224**

2.7.7 CURRENT TRADE AND FINANCIAL RECEIVABLES

An analysis of trade receivables, all of which are due within the next twelve months, is provided below.

Analysis of trade receivables			
(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	**2008-2007**
Trade receivables	22,018	25,007	-2,989
Trade receivables for installments due	1,322	2,113	-791
Taxes due other than income taxes	3,022	525	2,497
Due from others	3,607	2,123	1,484
TOTAL	**29,969**	**29,768**	**201**

The estimated realizable value of receivables was obtained by deducting provisions for doubtful accounts from their nominal value. Considered to be adequate, such provisions underwent the following changes during the year (thousands of euros):

Breakdown of provisions for doubtful accounts	
Balance at Dec 31, 2007	**3,725**
Provisions during the period	1,512
Releases during the period	-19
Balance at Dec 31, 2008	**5,218**

An amount of 1,512 thousand euros primarily regards provisions for the Parent Company's doubtful accounts relating to previous years.

Trade receivables for installments due refer to contracts for which, although the related revenues have accrued, the necessary conditions for issue of the invoices have not been met.

Tax credits other than income tax are broken down in the following table.

Analysis of tax credits other than income tax			
(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	**2008-2007**
Italian VAT credits	2,977	453	2,524

Overseas VAT credits	30	32	-2
Other tax credits	15	40	-25
TOTAL	**3,022**	**525**	**2,497**

These receivables almost entirely relate to VAT credit accrued by Mondo Home Entertainment.

“Receivables from others” break down as follows.

Analysis of receivables from others			
(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	**2008-2007**
Suppliers - advances	203	699	-496
Due from employees	49	34	15
Trade receivables - co-productions	3,309	1,135	2,174
Due from others	46	255	-209
TOTAL	**3,607**	**2,123**	**1,484**

The item “Trade receivables - co-productions”, amounting to 3,309 thousand euros, represents payments made for the acquisition of operating services in fulfillment of contractual obligations with co-producers. In accordance with the accounting standards shown in paragraph 2.7.3, such expenses will be deducted from the corresponding income, which amounts to 4,034 thousand euros at December 31, 2008 and is recorded among current payables.

2.7.8 OTHER ASSETS

This item, amounting to 0.2 million euros (1.0 million euros at December 31, 2007) primarily includes amounts paid to suppliers for home video license contracts until delivery of the supplier's master copy and amounts paid to the licensor in addition to the royalties on sales due to the latter.

2.7.9 CASH AND CASH EQUIVALENTS

A breakdown of this item is provided in the following table (thousands of euros).

Analysis of cash and cash equivalents

Item	Dec 31, 2008	Dec 31, 2007	2008-2007
Bank and post office deposits	2,168	3,266	-1,098
Cash and notes in hand	5	9	-4
TOTAL	**2,173**	**3,275**	**-1,102**

The balance represents cash and cash equivalents at the end of the period. Of this amount, 207 thousand euros related to US dollars.
An analysis of consolidated net liquidity/(debt) is shown in paragraph 2.7.26.

2.7.10 PROVISIONS

This item breaks down as follows.

Provisions

(thousands of euros)	Dec 31, 2008	Dec 31, 2007	2008-2007
Provisions for employee termination indemnities	**509**	**424**	**85**
Provisions for disputes with producers	0	120	-120
Provisions for risks and charges relating to taxes	200	47	153
Provisions for returns	1,374	2,858	-1,484
Supplementary indemnities for customers	100	134	-34
Sundry	90	100	-10
TOTAL	**1,764**	**3,259**	**-1,495**
Before 12 months	199	474	-275
Beyond 12 months	1,565	2,785	-1,220
TOTAL	**1,764**	**3,259**	**-1,495**

Changes in employee termination indemnities and provisions for risks and charges

(thousands of euros)	Dec 31, 2007	Provisions	Releases	Dec 31, 2008
Provisions for employee termination indemnities	424	163	78	509
Provisions for disputes with producers	120	0	120	0
Provisions for risks and charges relating to taxes	47	200	47	200
Provisions for returns	2,858	326	1,810	1,374

Supplementary indemnities for customers	134	0	34	100
Sundry	100	41	51	90
TOTAL	**3,683**	**730**	**2,140**	**2,273**
Beyond 12 months	898			708
Before 12 months	2,785			1,565
TOTAL	**3,683**			**2,273**

The provisions for disputes with producers includes risks and charges relating to the subsidiary, M.I.M. Mondo IGEL Media A.G., which were released during the year.

The item "Provisions for returns" relates to the distribution of videos and publishing products under license from the Company. The contracts signed with customers include the right to return unsold products. "Provisions for returns" refers to the risk, prudently quantified in the above measure, that returns might be made on sales carried out before December 31, 2008. The estimated value of return was reduced to take account of the value of replenishing stock that might be returned, reduced royalties paid to the relevant beneficiaries and reduced agents' commissions.

The sharp decrease in provisions for returns reflects the reduction in the quantity of items placed on the market (sell-in) compared with the corresponding period of 2007.

Regarding “Provisions for risks and charges relating to taxes”, the amount recorded at the end of the year, prudently quantified at 200 thousand euros, refers to the risk connected with a tax assessment of the Parent Company carried out by the tax authorities.

The following paragraphs relate to risks connected to ongoing disputes, which have not been recorded in provisions.

Doro TV Merchandising

This subsidiary is involved in ongoing disputes and reports various risks connected to possible disputes. Provisions for doubtful accounts allocated during the previous year are considered adequate even though demands from counterparties in the disputes exceed provisions by about 300 thousand euros.

Mondo Home Entertainment – Derby Films and others

This regards a dispute pended at the Court of Rome where Derby Srl has filed a suit against Mondo Home Entertainment s.r.l., as well as against Ripley’s Home Video Srl, Edizioni La Repubblica SpA and the publishing group, L’Espresso SpA. Amongst other things, Derby Srl has put forward a request to have the distribution of 31 films on the part of Ripley’s Home Video and Mondo Home Entertainment carried out on the basis of a contract signed on July 20, 1987 with Intercinematografica Distribuzione Srl declared illegal. The plaintiff has filed a request for both financial and non-financial damages totaling 550,000 euros, to be determined by the court, and an injunction preventing Ripley’s Home Video and Mondo Home Entertainment from exploiting and/or utilizing the domestic home video rights relating to the aforementioned films.

At the same time, the plaintiff asked that Ripley’s Home Video and Mondo Home Entertainment be required to pay an indemnity in accordance with article 2041 of the Italian Civil Code, equal to the sums collected via the exploitation of the plaintiff’s rights.

All of the defendant companies appeared before the court to reject the plaintiff's case and then put forward a counterclaim against Ripley's Home Video arguing that it was protected against any liability for any and all amounts to be paid to Derby.

After the preliminary investigation, with sentence no. 6133/2008 of March 19, 2008, the Court of Rome rejected all the claims against Mondo Home Entertainment and awarded the company costs.
The period for presentation of any appeal by the plaintiffs is in progress. If no appeal is lodged, the sentence will become final as of May 3, 2009.

Mondo Home Entertainment – Elena Manganelli

A lawsuit is pending before the Court of Milan (no. 8232/2008 RGAC, Seventh Civil Division, Examining Magistrate D'Orsi) in which Elena Manganelli, the former official receiver of Titano Films, has requested establishment of Mondo Home Entertainment's non-fulfillment of a contract dated April 19, 2005 regarding the promotion and distribution of DVD films sold by mail together with hardware products, as well as the payment of compensation by Mondo Home Entertainment for all damages allegedly incurred, the extent of which will be determined during the proceedings.
These claims were already put forward by Titano Films s.r.l. in a previous lawsuit against Mondo Home Entertainment and Sant'Andrea Finanziaria (no. 47024/2005 RGAC, Seventh Civil Division, Examining Magistrate Illarietti), which was cancelled following the bankruptcy of Sant'Andrea Finanziaria. Ms Manganelli is now putting forward the claims on her own behalf, on the grounds that she has acquired all the rights involved in the dispute.
Mondo Home has requested that the claims be rejected as well as payment of legal costs by Ms Manganelli, and also made a counterclaim for an amount of 587,941.21 euros due as fees from Titano Films under the terms of the contract dated April 19, 2005.
Evidence in the case will be assessed at a hearing on October 22, 2009.
A prudent assessment is appropriate as the proceedings are still at an early stage, but no substantial risk appears to be entailed for Mondo Home Entertainment.

Mondo Home Entertainment – Roberto Cicutto

On March 28, 2006, Roberto Cicutto initiated legal proceedings at the Court of Rome against Mondo HE and Cine Video Corporation s.r.l. to establish the alleged illegitimate exploitation of the film "Faccione" by the defendants and prevent continuation of such exploitation, with both parties ordered to pay damages that have yet to be fixed.

In its defense, Mondo HE called for the claim be rejected and filed a counter claim requesting that Cine Video Corporation relieve it of all liability and claiming damages for the impact on its image caused by interruption to marketing the film. Cine Video Corporation, for its part, called for rejection of the claim and insisted on taking out legal proceedings against its assignor, Trio Film s.r.l. in liquidation, who would be called upon to provide compensation in case of an unfavorable outcome.
After collection of evidence the case was adjourned until June 24, 2009 for the verification of documentation and the possible drawing up of conclusions.
Following the outcome of the preliminary enquiry, the risk of an unfavorable outcome for Mondo Home seems unlikely and is, in any case, covered by Cine Video Corporation's indemnity.

Mondo Home Entertainment – Rainbow s.p.a.

In a summons dated July 17, 2007, Mondo Home Entertainment took Rainbow SpA before the specialized section for industrial and intellectual property rights of the Court of Bologna, requesting assessment of the completion and implementation of the license agreement for the third series of the Winx Club cartoon. Consequently, the company demanded that Rainbow should execute the contract, and claimed damages of 3,000,000 euros, or the Court's best estimate, for the delay in marketing the series.
The defendant appeared in court and requested rejection of the claim and in turn filed a counterclaim, totaling 2,600,000 euros, on various contractual and non-contractual grounds.
After collection of evidence the case will go before a hearing on February 19, 2009 for the drawing up of conclusions.
It is still premature to make an accurate assessment of the outcome of the trial, but it should be pointed out that an objection regarding the validity of jurisdiction is pending on the opposing claim for damages for alleged contractual liability. In any case, the opposing investigation of the alleged damages incurred appears to be based solely on statements from witnesses, which obviously provide no concrete confirmation of the alleged amount of damages requested by the counterparty.
At the hearing on February 19, 2009 the case was reserved for judgment regarding the conclusions presented by the parties.
The period for submission of final statements is in progress, and unless unexpected events occur, judgment will presumably be handed down during the second half of the year.

Mondo Home Entertainment – Vegas Multimedia s.r.l. – Bo Casper Entertainment s.r.l.

This regards a case pending at the Court of Milan (Intellectual Property Department, RG 3693/2007) lodged by Vegas Multimedia in order to obtain an injunction – subject to prior confirmation of its ownership of the exploitation rights for the film "Six String Samurai" – against Mondo Home to prevent sale of the film, with an additional claim for alleged damages from Bo Casper amounting to 60,000 euros.
Mondo Home appeared in court, calling for the claim to be rejected and filing a counterclaim requesting that Bo Casper be ordered to protect Mondo Home from any prejudicial consequence of the dispute and compensate Mondo Home for any financial or non-financial damages arising from the case.
Following the hearing of evidence, the case will go before a hearing on November 26, 2009 for final judgment.
In view of the outcome of the preliminary hearing, the risk of an unfavorable outcome for Mondo Home seems limited and is, in any case, covered by Bo Casper's indemnity.

Mondo Home Entertainment – Bo Casper Entertainment s.r.l.

A case pending before the Court of Milan (First Civil Division, RG 30164/2008) brought by Bo Casper Entertainment against Mondo Home Entertainment regards a claim for alleged damages arising from infringement of negotiated agreements relating to the maximum limit of discounts applicable to films being distributed.
The alleged damages are quantified at 46,454.40 euros, plus ancillary costs, obviously unless otherwise determined by the Court.
Mondo Home duly went to court, requesting that the contract clause on the limit of discounts be declared null and void, and rejecting the claim, with the plaintiff being required to pay compensation for damages arising from an unjustified action.
The case will come before a hearing on February 17, 2009 for examination of the evidence.

Assessment of the outcome of the case appears to be closely connected to the examination the Court will carry out during the preliminary hearing in order to ascertain the actual content of the agreement regarding discounts. Therefore, it is currently impossible to draw any conclusions.

At a hearing on February 17, 2009 the Court accepted our counter-arguments and rejected all the plaintiff's preliminary pleas and adjourned the case until November 16, 2010 for final judgment.

The lack of supporting evidence for the claim brought against Mondo Home Entertainment indicates that it is unlikely to be upheld. In addition to the negligible value of the dispute, the risk of an unfavorable outcome therefore seems remote.

Mondo Home Entertainment – Ripley s.r.l.

A case is pending before the Court of Rome (Ninth Civil Division, RG 55490/2008) brought by Ripley's Home Video s.r.l. with a view to obtaining the cancellation of two distribution contracts entered into with Mondo Home Entertainment, as well as payment by the latter of 190,469.93 euros, plus ancillary costs, for invoiced royalties and damages for illegitimate marketing of certain films subsequent to cancellation of the contract, namely on expiry of the ownership of the relative exploitation rights, for an amount to be determined.

Mondo Home Entertainment duly requested the court to reject the claims and, having objected to the plaintiff's non-fulfilment of enforceable contracts, filed a counterclaim requesting payment of receivables amounting to 44,929.18 euros as well as damages totaling 262,297.00 euros.

After the first audience held to discuss the matter, the court reserved judgment on the plaintiff's request that Mondo Home Entertainment be ordered to immediately pay a sum of 117,378.45 euros.

Whilst the proceedings are still at an early stage, the case does present some difficulties for Mondo Home Entertainment, insofar as the claim may be considered as substantially uncontested, whereas the counter claim for compensation by Mondo Home Entertainment should be subject to evidential proof and will in any case be assessed by the Court.

Therefore, there is at least a partial risk of an unfavorable outcome for Mondo Home Entertainment.

Mondo Home Entertainment – Passworld s.r.l. – Warner

A case is pending before the Court of Milan (Industrial Property Division, RG 60573/2008) brought by Warner Bros Entertainment Italia s.p.a. and others against Mondo Home Entertainment and Passworld s.r.l. in order to obtain payment of damages by the defendants for the alleged illegitimate exploitation of certain films, amounting to 600,000.00 euros unless determined otherwise by the Court.

Mondo Home Entertainment duly appeared before the court and asked to be withdrawn from the proceedings and rejected the claims, after the summonsing of Cult Media s.r.l. and Cinevideo Corporation s.r.l. for the purposes of guarantee and indemnity.

A preliminary hearing will be held on March10, 2009.

The fact that the dispute is at a very early stage precludes any assessment of its eventual outcome, although at least in theory Mondo Home Entertainment's grounds appear to be adequately protected by its assignors' guarantee.

Mondo Home Entertainment – Andrea Crespi

Recently, Mr. Andrea Crespi, an employee who was dismissed by the Company during his probationary period, contested the dismissal, deeming it to be illegitimate.

As far as we are aware, the risk of an unfavorable outcome for Mondo Home Entertainment S.p.A. of any lawsuit that the former employee may bring, can be considered, on a purely prudential basis, as merely possible due to certain potential problems with the contract.

Moviemax Italia: Vegas Multimedia S.r.l.

In March 2007 Vegas Multimedia notified Moviemax Italia S.r.l., and its guarantor Moviemax S.r.l., of a summons to assess and declare the legitimacy and effectiveness of the withdrawal of Vegas Multimedia, with a valid reason pursuant to article 2258 of the Italian Civil Code, from agreements entered into with Moviemax S.r.l. regarding the acquisition and distribution of the films "Blueberry", "The Antidote", "L'Entente Cordiale" and "Them". Consequently, Vegas Multimedia S.r.l. claimed damages of 1,000,000 euros from Moviemax S.r.l. and also requested that Moviemax S. be prevented from any further exploitation subsequent to the withdrawal made by Vegas Multimedia Srl on December 13, 2006 (in fact, the only film that has been commercially exploited by Moviemax Italia is "Blueberry"). At a hearing on November 30, 2006, the judge granted the parties the triple term of the newly amended article 183 of the Code of Civil Procedure and adjourned the case for a preliminary hearing on July 4, 2007. Moviemax Italia S.r.l. is the defendant in this case, the outcome of which will depend on the preliminary enquiry, although the state of the proceedings gives good grounds for optimism. In turn, Moviemax Italia has made an independent counterclaim for an amount due from Vegas Multimedia regarding the company's portion of revenues deriving from the plaintiff's distribution of home video rights for the film "Blueberry". This portion has yet to be determined, due to the failure of Vegas to issue related accounts, which Moviemax has asked to be provided. Moviemax Italia S.r.l. has also requested payment of an amount of 7,500.00 euros, in addition to 100,174.56 euros it has already invoiced.

In making known his decision at a hearing on July 4, 2007, the judge rejected the evidence requested by the parties and adjourned the case until a hearing to be held on May 7, 2008.
At a hearing held on May 7, 2008, for final judgment, the judge, at the request of the parties' attorneys, given that negotiations were underway to reach an amicable settlement to the dispute, adjourned the case to a hearing on November 27, 2008.
At the hearing of November 27, 2008 the judge adjourned the case until 26 May, 2010 for final judgment.
Expected outcomes: This is a case brought against Moviemax Italia S.r.l., and the company has in turn made a counterclaim against Vegas Multimedia, requesting settlement by the plaintiff of its due portion of revenues from the distribution of home video rights for the film "Blueberry". This portion has not yet been determined as Vegas has failed to provide accounting records as requested by Moviemax. Moviemax Italia S.r.l. has also requested payment of an amount of 7,500 euros, in addition to 100,000 euros it has already invoiced. The documentation submitted leads the company to be reasonably optimistic. However, negotiations are underway to reach an amicable settlement to the dispute.

Moviemax Italia: Bo Casper

On September 18, 2007 Moviemax Italia srl was granted an injunction by the Court of Milan against Officine UBU srl regarding an amount of 70 thousand euros due to the company deriving from a contract for the joint exploitation of the film "Terkel in Trouble" signed by both parties on February 16, 2006. The debtor was notified of the injunction on October 1, 2007 and no objection was raised within the due terms.
Collection of the payable will depend on the outcome of the trial.
At a hearing on May 14, 2008, after cross-examination of the parties regarding the facts of the case, the judge granted terms pursuant to art. 183, Section VI, of the Code of Civil Procedure, thereby adjourning the case, for the procedures

pursuant to art. 184 of the Code of Civil Procedure and for a decision regarding the application to grant temporary execution of the opposing injunction until a hearing scheduled for October 1, 2008.
At the hearing on October 1, 2008 the case was adjourned until July 8, 2009 for final judgment.

Taking the above information into account, and with the backing of its legal advisors, the Directors do not consider it necessary to make further provisions as the occurrence of any potential liabilities connected with the settlement of this case is deemed unlikely.

2.7.11 CURRENT AND NON-CURRENT TRADE PAYABLES AND BORROWINGS

Payables are classified by type and expiry date in the table below.

Analysis of non-current borrowings

(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	**2008-2007**
Payables under finance leases beyond 12 months	0	14	-14
Due to Moviemax Italia S.r.l. shareholders for earnout	0	1,050	-1,050
Due to MEG minority shareholders for put option	223	666	-443
Total	**223**	**1,730**	**-1,507**

Analysis of trade payables

(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	
Due to suppliers	24,315	28,007	-3,692
Taxes due other than income taxes	607	222	385
Other payables	5,439	2,865	2,574
Total	**30,361**	**31,094**	**-733**

Analysis of taxes due other than income tax

(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	
Amounts due for VAT	394	34	360
Amounts due for withholding tax on third-party income	212	178	34
Other taxes due	1	10	-9
Total taxes due other than income taxes	**607**	**222**	**385**

Analysis of other payables

(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	
Amounts due for salaries, wages and fees	650	394	256
Due to social security agencies	404	318	86
Advances from customers	313	50	263
Advances from co-producers	4,034	1,814	2,220
Sundry payables	38	289	-251
Total	**5,439**	**2,865**	**2,574**

Other borrowings refer to the amount due for the put option that may be exercised by the minority shareholder of Mondo Entertainment Gmbh (223 thousand euros). The main changes in other borrowings regard the write-off of the Moviemax earnout (1,050 thousand euros) and the adjustment of the put option in favor of the minority shareholder of Mondo Entertainment Gmbh, Michael Bartels, with a reduction of 443 thousand euros in the payable recorded.

Further details of bank loans are provided in note 2.7.26.

An analysis of the main items regarding trade payables and borrowings is provided below.

Regarding the loan from the minority shareholders of Mondo Entertainment GmbH for the put option, the shareholder agreements between Mondo Home Entertainment S.p.A. and Michel Bartels provide for a put option under which the vendor may sell, and Mondo Home Entertainment S.p.A. is obliged to acquire, on its own behalf or on behalf of a party to be nominated, up to 10% of Mondo Entertainment Gmbh. The put option may be exercised between January 1, 2011 and one of the following dates: i) 8 weeks after approval of the financial statements for 2015, or ii) May 31, 2016. MHE has undertaken to acquire a 10% stake in MB when the value is equivalent to 8 times the average EBITDA reported by the company in the two years prior to exercise of the put option.
Mondo Home Entertainment S.p.A. has the right to exercise a call option on Michel Bartels' entire shareholding. The call option may be exercised between January 1, 2011 and one of the following dates: i) 8 weeks after approval of the financial statements for 2014, or ii) May 31, 2015. Mondo Home Entertainment S.p.A. has undertaken to acquire the 10% stake from Michel Bartels when the value is equivalent to 8 times the average EBITDA reported by the company in the two years prior to exercise of the call option.
At the end of 2008 the company presented a reduced business plan. In the new business plan application of the formula for calculating the put option results in a significant adjustment of its current value, equivalent to 223 thousand euros.

“Bank overdrafts” primarily regard the Mondo Home Entertainment Group. Intesa San Paolo granted Mondo Home Entertainment a line of credit totaling 19.5 million euros, which may be used for liquidity or commercial requirements. Mondo Home Entertainment S.p.A. partially extended these lines of credit to Moviemax Italia S.r.l, which uses them to meet specific cash requirements. The bank charges interest at 1-month Euribor plus a spread. As remuneration for the guarantee provided by Mondo Home Entertainment S.p.A. on the portion of the line of credit used by Moviemax S.r.l., Mondo Home Entertainment S.p.A. has requested a payment of 12 thousand euros per annum. Moreover, if Moviemax Italia S.r.l. uses the line of credit, a back-to-back guarantee will be issued in favor of Mondo Home Entertainment S.p.A. via establishment of a lien on revenues deriving from the exploitation of home video rights owned by Moviemax and granted under license to Mondo Home Entertainment S.p.A. Further information on equity investments is provided in note 2.7.26 and the report on operations.

Regarding Payables - co-productions, see note 2.7.7 on current trade receivables and loans and receivables.

2.7.12 OTHER LIABILITIES

These amount to 1.6 million euros at December 31, 2008, compared with the 1.9 million euros reported at December 31, 2007. They refer entirely to revenues from concessions and licenses invoiced at the close of the period but, in accordance with the new method of revenue recognition, accruing in future years as they regard rights to products that have not yet been delivered.

2.7.13 EQUITY

The share capital is composed as follows:

Item		Par value in euros
Ordinary shares	4,404,138	0.5
TOTAL	**4,404,138**	**€2,202,069**

There are no different categories of shares, nor any special share rights, privileges or obligations. The Parent Company does not hold any of its own shares.
Equity is analyzed below.

Equity		
(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**
- Share premium reserve	57,325	57,325
- Legal reserve	431	431
- Retained earnings (accumulated losses)	-29,686	-24,365
- Net income/(loss) for the period	-11,663	-5,320
TOTAL	**16,407**	**28,071**

Equity attributable to minority interest amounted to 1,627 thousand euros at December 31, 2008, representing a reduction of 3,145 thousand with respect to the 4,772 thousand euros registered at December 31, 2007.
This decrease is primarily due to losses of 3,686 thousand euros attributable to minority interest, and the 604-thousand-euro increase in capital contributions attributable to minority interest carried out at Moviemax Italia S.r.l.

Items under equity break down according to origin, possibility of use and distribution as follows:

- The share capital and legal reserve can only be used to cover losses;
- The share premium reserve and retained earnings can only be used to carry out share capital increases and to cover losses. They may also be distributed to shareholders;
- There are no revaluation reserves;
- There are no reserves or other provisions which, if distributed, form part of the company's taxable income, independently of when they were set up;
- There are no reserves or other provisions which, if distributed, form part of shareholders' taxable income, independently of when they were set up;
- There are no reserves or other provisions included in the share capital.

STOCK OPTION PLAN

At a special general meeting of its shareholders held on October 24, 2005 Mondo Home Entertainment S.p.A. approved guidelines for a stock option plan for its permanent members of staff employed by the company in Italy. Under the plan, pursuant to article 2443 of the Italian Civil Code, the Board of Directors has authorized an increase in the share capital, to be subscribed in whole or in part, within a maximum period of 5 years, via the issue of a maximum number of 300,000 ordinary shares without a par value. Such shares are to be offered, also in different amounts, to permanent members of staff employed by the company in Italy as part of the stock option plan, at a unit price equal to the value of the shares on the date of each offer, and excluding pre-emption rights in accordance with the final paragraph of article 2441 of the Italian Civil Code and the second paragraph of article of Legislative Decree 58/98. On December 12, 2005, MHE's Board of Directors selected beneficiaries for allocation of the first tranche of stock options (amounting to 150,000), whilst on December 19, 2007 the Board of Directors selected beneficiaries for allocation of the second tranche of options (amounting to 150,000). The number of stock options actually assigned to each beneficiary in each tranche is attributed by the Board of Directors in proportion to the annual gross salary paid to these beneficiaries when the share options are allocated compared with the total gross annual remuneration paid by the company at the same time.

The first tranche did not mature as the relative objectives were not achieved.

The stock options allocated in the second tranche may be exercised and are therefore vested during the period from January 1, 2011 to April 30, 2011, on condition that the company achieves the following objectives relating to the financial statements for the year ending December 31, 2009, excluding any balance sheet item items regarding overseas activities.

On March 28, 2008 the Board of Directors modified the stock option plan objectives as follows:

Year	Revenues (€)	EBITDA	
		Value (€)	% of revenues
2009	33,000,000	4,290,000	13%

The beneficiaries of the second tranche of the stock option plan, their positions and the number of stock options allocated are shown in the table below.

Name and surname	Number of stock options	Position
Guglielmo Marchetti	19,348	Managing Director
Giovanni Scrofani	11,447	Director
Senior managers	21,616	
Other permanent members of staff at the time of allocation of the first tranche	77,749	
	130,160	

The subscription price on allocation of the second tranche of the stock option, which came into effect on January 1, 2008, is 1.74 euros.

Based on a technical assessment carried out, the fair value of Mondo Home Entertainment S.p.A.'s stock options is around 77 thousand euros.

Provisions of 39 thousand euros were allocated to the "stock option plan reserve" in 2008.

2.7.14 TAX POSITION

The periods for which tax liabilities may still arise for the Parent Company commence from 2004 as regards direct taxation and VAT.

Following a check regarding the tax years 2003 to 2006 Mondo TV S.p.A. has received notification of assessment from the tax authorities regarding the tax year for 2003.

The Company has allocated provisions for risks and charges relating to taxes amounting to 200 thousand euros, which is deemed adequate with regard to the future charges arising from the assessment carried out.

The other Group companies are not involved in any disputes with the tax authorities.

Regarding consolidated companies, Mondo Home Entertainment S.p.A. is subject to ordinary terms, whilst the newly incorporated Moviemax Italia S.r.l is liable for taxation for all the periods subsequent to its incorporation, namely since 2005.

2.7.15 POTENTIAL LIABILITIES

The Board of Directors does not hold there to be any significant potential liability to be included or commented on in these consolidated financial statements for the year ended December 31, 2008, in addition to the information given in note 2.7.10 regarding provisions.

2.6.17 COMMITMENTS

Commitments given by the Group and not recorded in either liabilities or provisions refer to:

- ✓ Contract commitments given by the Parent Company, Mondo TV, with regard to executive production service suppliers for the production of episodes of animated series during the next two years. These obligations will be met mainly by employing resources generated from co-production and/or pre-sales contracts, entered into at the time of signing the above production contracts. These commitments total around 1.3 million euros.
- ✓ Bank sureties issued to secure contract advances regarding the Parent Company amounting to 0.5 million euros.
- ✓ Obligations concerning guaranteed minimums extended to the suppliers of video materials distributed by the subsidiary, Mondo Home Entertainment. Such commitments amount to around 3.1 million euros.
- ✓ The estimated value of third-party assets held on deposit with Mondo Home Entertainment S.p.A. These commitments total around 0.8 million euros.
- ✓ Bank sureties issued in favor of third parties on behalf of the Group amounting to 2.2 million euros (Mondo Home Entertainment S.p.A.)
- ✓ Commitments for documented letters of credit, amounting to around 1.7 million euros.
- ✓ Commitments for future lease rentals, amounting to around 1.5 million euros.

2.7.17 REVENUES FROM SALES AND OTHER OPERATING INCOME

Revenues from sales and services

(thousands of euros)	**2008**	**2007**	**2008-2007**	**%**
Revenues from the sale of home video products and materials	15,774	21,038	-5,264	-25%
License concession revenues	13,166	12,883	283	2%
Cinema revenues	6,597	5,419	1,178	22%
Production service revenues	1,365	1,127	238	21%
Other sales revenues	526	371	155	42%
Total	**37,428**	**40,838**	**-3,410**	**-8%**

Revenues from sales and services fell to 37.4 million euros from 40.8 million euros in 2007, down by 8%. The decrease in revenues of around 3.4 million euros primarily derives from reductions in sales during the period by the Parent Company and Mondo Home Entertainment S.p.A., and therefore regards the animation segment and the sale of home video products.

Revenues from the sale of home video products and materials derive from the delivery of VHS/DVD materials during the year, which are reported net of returns received and to be received. Such revenues are measured and shown according to the overall amount invoiced to final customers, as they comprise the cost sustained for paying suppliers recorded under operating costs.

The item "Other revenues" principally refers to the cost of transport services and promotional and advertising expenses billed to customers and non-operating income.

2.7.18 RAW AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

The decrease in the cost of raw and consumable materials and goods for resale, which fell from 7.5 million euros in 2007 to around 7.2 million euros in 2008, is essentially due to lower sales volumes.

2.7.19 LABOR COSTS

A breakdown of labor costs is provided in the table below.

Labor costs				
(thousands of euros)	**2008**	**2007**	**2008-2007**	**%**
Salaries and wages	3,633	2,704	929	34%
Social security charges	1125	891	234	26%
Employee termination indemnities	163	142	21	15%
Other labor costs	242	-30	272	-907%
Total	5,163	3,707	1,456	39%

In accordance with IAS 19, provisions for employee termination benefits were assessed by an independent expert using the actuarial method. The differences compared with the calculation of employee termination benefits in accordance with Italian legislation were insignificant. Therefore, the amounts recorded in the financial statements have been determined in accordance with Italian labor law and do not differ greatly from those resulting from the estimate carried out with the actuarial method.
The table below provides a breakdown of the Group's staff by category.

Group staff (average headcount)		
	2008	**2007**
Apprentices/interns	7	4

Blue-collar workers	3	3
Administrative staff	46	37
Middle management	10	8
Senior managers	7	6
Total	73	58

2.7.20 AMORTIZATION, DEPRECIATION AND IMPAIRMENTS

This item is analyzed in the table below.

Amortization, depreciation and impairments				
(thousands of euros)	**2008**	**2007**	**2008-2007**	**%**
Company-owned licenses	1,743	4,230	-2,487	-59%
Indefinite licenses	26	146	-120	-82%
Temporary licenses	9,904	8,889	1,015	11%
Software licenses	50	52	-2	-4%
Leasehold improvements	3	27	-24	-89%
Impairment test on the library	3,383	1,043	2,340	224%
Sub-total intangible assets	***15,109***	***14,387***	***722***	5%
Sub-total property, plant and equipment	***256***	***357***	***-101***	***-28%***
Total amortization, depreciation and impairments	**15,365**	**14,744**	**621**	**4%**

2.7.21 OTHER OPERATING EXPENSES

This item is broken down in the table below.

Other operating expenses				
(thousands of euros)	**2008**	**2007**	**2008-2007**	**%**
Production costs	3,056	3,132	-76	-2%
Cinema costs – printing and advertising	8,147	9,239	-1,092	-12%
Marketing and commercialization costs	2,286	1,848	438	24%
Consultancy	2,086	1,593	493	31%
Directors' and Statutory Auditors' fees	1,694	1,762	-68	-4%
Other services	4,376	4,854	-478	-10%
Service costs	**21,645**	**22,428**	**-783**	**-3%**
Hire and rental costs	914	731	183	25%
Royalties	1,346	2,403	-1,057	-44%
Lease expense	**2,260**	**3,134**	**-874**	**-28%**
Other operating expenses	**933**	**1,017**	**-84**	**-8%**
Total	**24,838**	**26,579**	**-1,741**	**-7%**

Lower operating expenses include 1,092 thousand euros for reduced printing and advertising costs incurred by the subsidiary, Moviemax Italia, for printing and the promotion of films that were exploited in cinemas during 2008, and 1,057 thousand euros regarding lower costs recognized for royalties.

"Production costs" include costs relating to duplication, authoring, dubbing, subtitles and trailers for DVDs that were exploited during the year.

"Marketing and commercialization costs" includes costs for marketing home video products and payment of agents' commissions for sales of the relative materials.

“Other services” primarily comprise the logistics and transport costs relating to DVD distributed during the year.

"Royalties" include the royalties paid by Mondo HE to entitled beneficiaries for the distribution of DVD via the traditional channel (large-scale and retail distributors) as well as the newsagents' channel.

2.7.22 FINANCIAL INCOME AND EXPENSE

The table below provides a breakdown of this item.

Financial income and expense				
(thousands of euros)	**2008**	**2007**	**2008-2007**	**%**
Financial income				
Bank interest	41	58	-17	-29%
sub-total financial income	*41*	*58*	*-17*	-29%
Financial expense				
Short-term bank interest	-1,427	-759	-668	88%
Sundry interest	-4	-25	21	-84%
Discounts and bank charges	-120	-79	-41	52%
Other financial expense	-1	-39	38	-97%
Sub-total financial expense	*-1,552*	*-902*	*-650*	72%
Foreign exchange gains and losses				
Foreign exchange gains	209	901	-692	-77%
Foreign exchange losses	-555	-791	236	-30%
Sub-total foreign exchange gains and losses	*-346*	*110*	*-456*	-415%
TOTAL	**-1,857**	**-734**	**-1,123**	**153%**

Short-term bank interest was almost entirely generated by the use of lines of credit granted by Intesa San Paolo, BNL and Unicredit to the Mondo HE Group. Mondo HE partly extended the line of credit to be used for both cash and commercial requirements to Moviemax Italia Srl.

“Foreign exchange losses” essentially refers to the loss deriving from the closure of flexible forward contracts entered into with Unicredit Banca d’Impresa S.p.a with a nominal value of US$9,000,000.

2.7.23 INCOME TAXES

A breakdown is provided below.

Analysis of income taxes			
(thousands of euros)	**2008**	**2007**	**2008-2007**
Taxes relating to previous years	**-15**	**0**	**-15**
Current taxes	**-742**	**327**	**-1,069**
Reversal of deferred tax assets from previous years	-1,284	-1,329	45
Reversal of deferred tax liabilities from previous years	920	2,357	-1,437
Deferred tax assets for the period	3,764	1,103	2,661
Deferred tax liabilities for the period	-30	-149	119
Deferred tax assets (liabilities)	**3,370**	**1,982**	**1,388**
Income taxes for the period	**2,613**	**2,309**	304
IRES	2,389	3,048	-659
IRAP	-113	-1,005	892
Overseas subsidiaries taxation	337	266	71
Income taxes for the period	**2,613**	**2,309**	**304**

The reconciliation between the Group's theoretical and actual taxation is shown in the table below.

Reconciliation of income taxes		
(thousands of euros)	**2008**	**2007**
Pre-tax income/(loss)	-17,962	-10,967
IRES at current rate	4,940	3,619
Permanent changes to IRES tax effect	-568	-445
Adjustment of net deferred tax assets	-1,646	140
IRES and overseas income taxes	**2,726**	**3,314**
IRAP	**-113**	**-1,005**
Total income taxes for the year	**2,613**	**2,309**

The reconciled item regards the adjustment of net deferred tax assets/(liabilities) and is primarily due to the non-recognition of deferred tax assets deriving from Mondo TV S.p.A.'s tax losses for 2008.

The Group applies a tax consolidation arrangement in Italy. The following companies take part in the tax consolidation:

Mondo TV S.p.A. (Parent Company)

Doro TV Merchandising S.r.l.

Mondo Licensing S.r.l.

Mondo Distribution S.r.l.

Mondo Home Entertainment S.p.A.

For further information see the above note on tax assets and liabilities.

2.7.24 DIVIDENDS

No resolution was adopted regarding payment of dividends, nor were any previous resolutions implemented during the period.

2.7.25 EARNINGS PER SHARE

Earnings per shares attributable to the holders of ordinary shares in the Parent Company is calculated by dividing the net income/(loss) by the number of shares. This number remained unchanged throughout the year.

2.7.26 FINANCIAL RISK ANALYSIS (IFRS 7)

The Group's financial instruments include lines of credit and loans, finance leases and demand deposits.
These instruments serve to finance the Group's operating activities. The Group has various other financial instruments, such as trade payables and receivables, deriving from operating activities.
The most significant risks generating from the Group's financial instruments are:

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

Credit risk

Credit risk consists of the Company's exposure to potential to losses deriving from the failure of counterparties to meet commitments undertaken.
The Group has no significant concentration of credit risk and implemented appropriate procedures during the period, such as checking the solvency of debtors, in order to minimize exposure to risk.
When individually significant, accounts receivable for which partial or total collection is deemed unlikely are written down. For accounts receivable that are not separately written down, collective provisions are set aside, taking into account past experience and statistical data.
At December 31, 2008 trade receivables amount to 27,189 thousand euros, including 5,850 thousand euros falling due beyond 12 months; these receivables are covered by provisions for doubtful accounts totaling 5,218 thousand euros. The Group's maximum exposure to credit risk at December 31, 2008 and at December 31, 2007 is represented by the carrying amount of the financial assets recorded in the financial statements.
At December 31, 2008 trade receivables amounted to 28,732 thousand euros, including 3,001 thousand euros falling due beyond 12 months; these receivables were covered by provisions for doubtful accounts totaling 3,725 thousand euros.

Liquidity risk

Liquidity risk consists of the risk that funds may not be available or available at a high cost that has an impact on the net result.

The Group manages liquidity risk by maintaining an adequate amount of lines of credit granted by leading banks in order to meet operational borrowing requirements.
Under present conditions the Group believes that the liquidity deriving from corporate management and the current financial and operating structure ensure access, under normal market conditions, to a wide range of means of financing via capital markets and banks.

Regarding the Mondo Home Entertainment Group, a 15-year financial analysis of cash flows was carried out for 2009 based on the concept of achieving budget targets. This revealed that the plan is fully sustainable in financial terms based on the existing lines of credit, without any need to increase them.
A series of actions were implemented to guarantee this sustainability:
- revision of payment conditions with the main suppliers;
- revision of payment schedules regarding certain rights acquisition costs (the so-called “guaranteed minimums”);
- reallocation of cash bank borrowings within Group companies in accordance with actual requirements for 2009.
The amount of television revenues and the timing of their generation are two factors that will have significantly influence the amount of the Mondo Home Entertainment Group's debt and the financial sustainability of the business during 2009.

The Group has separately approved lines of credit for Mondo TV S.p.a. and Mondo Home Entertainment S.p.a., which may be extended to all the subsidiaries of both companies. These lines of credit, amounting to 48,600 million euros, break down as follows (in millions of euros):

	MTV							
	Lines of credit			Uses				Available amount
	Cash	Commercial	Total	Liquidity	Borrowings	Uses for commitments	Total amount used	Total amount available
Intesa San Paolo	1.0	2.5	3.5	-0.1	0.5	1.8	2.2	1.3
Unicredit	0.2	1.1	1.3	0.0	0.5	0.0	0.5	0.8
BNL	1.4	0.0	1.4	-0.1	0.9	0.0	0.8	0.6
Cariferrara	0.5	0.0	0.5	-0.2	0.3	0.0	0.1	0.4
Total	3.1	3.6	6.7	-0.4	2.2	1.8	3.6	3.1

	MHE							
	Lines of credit			Uses				Available amount
	Cash	Commercial	Total	Liquidity	Borrowings	Uses for commitments	Total amount used	Total amount available
Intesa San Paolo	7.0	12.5	19.5	-1.2	11.7	3.9	14.4	5.1
Unicredit	1.5	3.0	4.5	0.0	4.2	0.0	4.2	0.3
Mediocredito centrale	6.0		6.0	0.0	3.9	0.0	3.9	2.1
BNL	0.5	5.1	5.6	-0.3	3.9	0.0	3.6	2.0
Cariferrara	0.1	0.7	0.8	0.0	0.0	0.0	0.0	0.8
IFITALIA	0.0	3.0	3.0	0.0	0.0	0.0	0.3	2.7
Unicredit Factoring	0.0	2.5	2.5	0.0	2.4	0.0	2.4	0.1
Total	15.1	26.8	41.9	-1.5	26.1	3.9	28.8	13.1

Total		
Lines of credit	Uses	Available amount

	Cash	Commercial	Total	Liquidity	Borrowings	Uses for commitments	Total amount used	Total amount available
Intesa San Paolo	8	15	23	-1.3	12.2	5.7	16.6	6.4
Unicredit	1.7	4.1	5.8	0	4.7	0	4.7	1.1
Mediocredito centrale	6	0	6	0	3.9	0	3.9	2.1
BNL	1.9	5.1	7	-0.4	4.8	0	4.4	2.6
Cariferrara	0.6	0.7	1.3	-0.2	0.3	0	0.1	1.2
IFITALIA	0	3	3	0	0	0	0.3	2.7
Unicredit Factoring	0	2.5	2.5	0	2.4	0	2.4	0.1
Total	18.2	30.4	48.6	-1.9	28.3	5.7	32.4	16.2

The 2.5-million-euro commercial line of credit granted by Intesa San Paolo may be used for guarantees.
The lines of credit shown within the Mondo Home Entertainment S.p.A. column, which may be revoked by the banks, may also be used by Moviemax Italia Srl.
As is apparent, the risk of revocation is adequately managed by ensuring that the amounts made available by lines of credit are far higher than current use and the maximum projected use for the whole of 2009. Moreover, it is advantageous that the lines of credit are provided by four different banks.
The Group may only use the loan granted by Mediocredito Centrale SpA for the acquisition of rights. The loan has a duration of 24 months as of the date of first use. Therefore, it will irrevocably fall due two years after said date and must be repaid either via revenues collected from the exploitation of rights or in a lump sum prior to this date. The agreement provides for the following covenants, to be checked in the financial statements of the Mondo Home Entertainment Group: a ratio between net debt and EBITDA no greater than 4, and a ratio between debt/equity ratio no greater than 2.5.
At December 31, 2008 the debt/equity ratio was 14.2, whilst the ratio between net debt and EBITDA stood at 8.8.
Moreover, the agreement includes an obligation on the part of Mondo Home Entertainment S.p.A. and Moviemax Italia S.r.l. to repay the loan in advance at the bank's request if direct or indirect control by the shareholder (the Corradi family) were to change under any of the following circumstances: (i) if the majority shareholder, Mondo TV S.p.A., ceases to own at least 50.1% of Mondo HE's share; (ii) if at any time one or more of the members of the Corradi family, acting together, were to own a total number of shares with voting rights at the General Meeting of Mondo TV S.p.A. sufficient to enable them to exercise a dominant influence over it. Due to the effect of the above-mentioned sale of shares by Mondo TV S.p.A. in March 2009, as described in paragraph 1.8 of the report on operations of Mondo TV, whilst remaining Mondo Home Entertainment S.p.A.'s major shareholder, Mondo TV S.p.A. currently has a shareholding of less than 50.1%
Consequently, the events that may cause the bank to call in the loan have occurred, although the bank has not yet exercised this right. A meeting with the bank has been scheduled before the end of April 2009 to discuss the effects deriving from these events.
Based on the current state of relations with the bank, it is deemed that failure to comply with the covenants (which were already breached in 2007) should not have any negative repercussions on the amount of credit granted and contractual maturity dates.

Borrowings at December 31, 2008 break down as follows.

Mondo TV Group					
Repayment date – worst case scenario	*at sight*	*within 12 months*	*from 12 to 36 months*	*beyond 36 months*	**Total**

Non-current loans	**0**	**0**	**0**	**223**	**223**
Medium-/long-term shareholder loans	0	0	0	223	**223**
Medium-/long-term loans from third parties	0	0	0	0	**0**
Current loans net of liquidity	**27,362**	**0**	**0**	**0**	**27,362**
Short-term bank loans	27,362	0	0	0	27,362
Trade payables and other payables	**0**	**26,327**	**0**		**26,327**
Total at December 31, 2008	**27,362**	**26,327**	**0**	**223**	**53,912**

Trade payables are accounted for net of advances received from co-producers (30,361 thousand euros less advances of 4,034 thousand euros), whilst other amounts are directly inferred from net liquidity/(debt).
In particular, current borrowings net of liquidity consist of bank borrowings of 29,576 thousand euros net of liquidity of 2,173 thousand euros and readily convertible securities of 41 thousand euros.

Exchange rate risk

Two of the Group's leading companies, Mondo Entertainment S.p.A. and Moviemax Italia S.r.l., acquire part of their libraries from countries outside the euro area. Consequently, the Group's activities may be subject to risk deriving from fluctations in exchange rates, especially regarding the US dollar. Moroever, some of Mondo TV's purchases and sales are denominated in US dollars.
Therefore, the Group reports transactions carried out in foreign currencies (US dollars). The transactions regard investments and sales.

Sensitivity analysis:

If at December 31, 2008 the EUR/USD exchange rate had been greater than 10 basis points (1.492 USD for one euro) the effect on the income statement would have been equivalent to a loss of around 9 thousand euros, net of tax effect.
If, however, the exchange rate had been less than 10 basis points (1.292 USD for euro) this would have had a positive effect on the result of around 11 thousand euros, also net of the relative tax effect.

Interest rate risk

Fluctuations in interest rates affect cash flows, the market value of the Company's assets and liabilities and the level of net financial income/(expense).
The Group's borrowings are subject to variable interest rates, in particular Euribor plus a spread ranging from 1.0% to 1.5%.

Sensitivity analysis:

The Group's borrowings are subject to interest rate risk. Significant changes in interest rates may therefore affect the cost of variable rate loans.
The following sensitivity analysis enabled calculation, with all other conditions on a like-for-like basis, of the impact that any change of +/- 10% in average interest rates during the year might have on the net result and equity at year end.

If in 2008 the Euribor rate had been 100 basis points higher, the effect on the income statement would have been equivalent to a loss of around 150 thousand euros, net of tax effect.

If, however, the Euribor rate had been 100 basis points lower, this would have had a positive effect on the result of around 150 thousand euros, also net of the relative tax effect.

Other information

Given their short-term maturity, the book value of financial assets and liabilities is a reasonable estimate of their fair value and therefore it was not necessary to calculate their actual fair value.

Information regarding the volumes and breakdowns of revenues and costs, and gains and losses generated by financial instruments is provided in the table on financial income/(expense).

The Mondo TV Group's consolidated net debt/(liquidity) is analyzed below.

Analysis of consolidated net debt/(liquidity)

(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**	**2008-2007**
Cash and cash equivalents	2,173	3,275	-1,102
Readily convertible securities	41	204	-163
Current financial receivables	0	47	-47
Current financial payables	-29,576	-17,195	-12,381
Short-term shareholder loans	0	-597	597
Net short-term (debt)/liquidity	**-27,362**	**-14,266**	**-13,096**
Medium-/long-term shareholder loans	-223	-1,716	1,493
Long-term loans and receivables	0	-14	14
Non-current portions of medium-/long-term debt	**-223**	**-1,730**	**1,507**
Net debt in accordance with Consob Directive DEM/6064293	**-27,585**	**-15,996**	**-11,589**
Medium-/long-term third-party receivables	603	245	358
Analysis of consolidated net debt/(liquidity)	**-26,982**	**-15,751**	**-11,231**

2.7.27 REMUNERATION PAID TO DIRECTORS' AND STATUTORY AUDITORS' FEES AND OTHER INDIVIDUALS IN KEY POSITIONS

The following table provides a breakdown of the remuneration paid on an annual basis to directors, statutory auditors and other individuals in key positions.

Breakdown of remuneration paid to Directors and Statutory Auditors

Surname	**Name**	**Position**	**Annual remuneration**
Affaba	Luigi	Director of Mondo Home Entertainment	159,034
Baron	Eve	Director of Mondo France SASU	136,000
Bartels	Michael	Director of Mondo Entertainment Srl	170,000
Benedetti	Simona	Member of the Board of Statutory Auditors of Mondo Home Entertainment S.p.A. and of Mondo TV S.p.A. (until May 28, 2008)	17,575

Bertolino	Massimiliano	Director of Mondo TV S.p.A and of Mondo Home Entertainment S.p.A.	20,000
Committeri	Giammarco	Chairman of the Board of Statutory Auditors of Moviemax Italia S.r.l.	6,000
Corradi	Orlando	Chairman of Mondo TV S.p.A.	70,000
Corradi	Monica	Director of Mondo TV S.p.A.	28,000
Corradi	Matteo	Director of Mondo TV S.p.A, of Moviemax Italia S.r.l. and of Mondo Cinema S.r.l.; and Sole Director of M.I.M. Mondo IGEL Media A.G	166,620
Cosenza	Max	Chairman of Mondo Cinema S.r.l.	120,000
Dell'Utri	Marco	Vice Chairman of Moviemax Italia S.r.l.	190,080
Dobroschke	Florian	Chairman of the Supervisory Board of M.I.M. Mondo IGEL Media A.G.	17,000
Ferrari	Marcello	Chairman of the Board of Statutory Auditors of Mondo TV S.p.A. (since May 28, 2008)	5,740
Figliuzzi	Francesco	Director of Mondo TV S.p.A.	10,000
Fimmanò	Francesco	Chairman of the Board of Statutory Auditors of Mondo Home Entertainment S.p.A. (since April 28, 2006)	17,834
Galizi	Bruno	Sole Director of Doro TV Merchandising S.r.l., of Mondo Licensing S.r.l. and of Mondo Distribution S.r.l.	33,000
Gasperini	Elvio	Director of Mondo Home Entertainment since November 14, 2008	1,250
Gentile	Rudolph	Chairman of the Board of Directors of Moviemax Italia S.r.l.	190,368
Girardi	Ugo	Director of Mondo TV S.p.A, of Moviemax Italia S.r.l. and of Mondo France SASU; and Vice Chairman of the Supervisory Board of M.I.M. Mondo IGEL Media A.G	108,000
Marchetti	Guglielmo	Managing Director of Mondo Home Entertainment S.p.A., of Moviemax Italia S.r.l. and of Mondo Cinema S.r.l.	434,919
Mechelli	Alessandro	Member of the Board of Statutory Auditors of Mondo TV S.p.A. and of Moviemax Italia S.r.l.	11,800
Montagna	Paolo	Director of Mondo Cinema S.r.l.	6,000
Pagni	Leonardo	Director of Mondo TV S.p.A.	19,000
Romani	Vittorio	Auditor of Mondo TV (since May 28) and Member of the Supervisory Board of MIM	10,900
Rosati	Laura	Chairman of the Board of Statutory Auditors of Mondo TV S.p.A. until May 28, and Member of the Boards of Statutory Auditors of Mondo Home Entertainment S.p.A. and Moviemax Italia S.r.l.	24,740
Scrofani	Giovanni	Executive and Director of Mondo Home Entertainment S.p.A. and Director of Mondo Cinema S.r.l.	136,621
			2,110,481

2.7.28 REMUNERATION PAID TO INDEPENDENT AUDITORS

Pursuant to 149-12 of the CONSOB issuing regulations, the fees paid by the Company for services provided by PricewaterhouseCoopers SpA during 2008 are reported below. The amounts relating to activities carried out in 2008, and approved and recorded supplementary fees, are shown separately for each company in the table below. Only auditing and related support services were provided during the year.

Type of service	Service provider	Beneficiary	Remuneration for the period	Period
Auditing	PricewaterhouseCoopers	Mondo TV S.p.A.	**107**	Fees 2008
Auditing	PricewaterhouseCoopers	Mondo Home Entertainment S.p.A.	**140**	Supplementary fees 2007
Auditing	PricewaterhouseCoopers	Mondo Home	**78**	Fees 2008

		Entertainment S.p.A.		
Auditing	PricewaterhouseCoopers	Moviemax Italia Srl	**46**	Fees 2008
Auditing	PricewaterhouseCoopers	Mondo Entertainment Gmbh	**13**	Fees 2008
Auditing	PricewaterhouseCoopers	Mondo Igel Media	**29**	Fees 2008
			413	

2.7.29 INFORMATION REGARDING THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of trade receivables and other financial assets, and of trade payables, other payables and other financial liabilities, which are recorded under "Current" items of the balance sheet and valued according to the amortized cost method and primarily relate to trading relations that are settled in the short term, does not differ from the carrying amounts reported in the financial statements at December 31, 2008.

Non-current financial assets and liabilities are settled at market rates and their fair value is therefore considered to be substantially in line with current market values. Therefore, their fair value is equivalent to their book value.

2.7.30 ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Directive no. DEM/6064293 of July 28, 2006 "Corporate information regarding listed issuers and issuers with financial instruments offered for sale to the public pursuant to art. 116 of the Consolidated Finance Act, required in accordance with the provisions of art. 114, paragraph 5, of Legislative Decree no. 58/98", it is hereby stated that:

- no non-recurring transactions or events occurred, namely transactions or events that are not frequently repeated during the conduct of normal operations;
- no atypical and/or unusual transactions were carried out.

Publication of these financial statements was authorized by the meeting of the Board of Directors of Mondo TV S.p.A. held on April 9, 2009.

For the Board of Directors of Mondo TV S.p.A.

Chairman and Managing Director

(Orlando Corradi)

3. ANNEXES

3.1 CORPORATE BODIES OF THE PARENT COMPANY

Board of Directors[1]

Chairman and Managing Director

Orlando Corradi

Directors

Monica Corradi

Matteo Corradi

Ugo Girardi

Massimiliano Bertolino[2]

Francesco Figliuzzi[3]

Leonardo Pagni

Internal Audit Committee

Chairman

Francesco Figliuzzi

Members

Massimiliano Bertolino

Leonardo Pagni

Remuneration Committee

Chairman

Massimiliano Bertolino

Members

Francesco Figliuzzi

Ugo Girardi

Investor relations

Matteo Corradi

Board of Statutory Auditors[4]

Marcello Ferrari (Chairman)

Alessandro Mechelli

Vittorio Romani

Independent Auditors[5]

PricewaterhouseCoopers S.p.A.

Sponsor and Specialist

Banca IMI S.p.A.

[1] In office until approval of the financial statements for the year ending Dec 31, 2008
[2] Independent Director
[3] Independent Director
[4] In office until approval of the financial statements for the year ending Dec 31, 2010
[5] In office for nine financial years, until approval of the financial statements for the year ending Dec 31, 2014

3.2 POWERS AND CORPORATE GOVERNANCE

Powers

The Chairman, Orlando Corradi, is the Company's legal representative as per art. 19 of the Company's By-Laws.
On May 15, 2006 the Board of Directors nominated Orlando Corradi as Managing Director, conferring all powers of ordinary and extraordinary administration, with the exception of those powers which, by law, are strictly the reserve of the Board of Directors, as well as responsibility for transactions of particular financial and economic importance, and all related party transactions.

Corporate Governance

The system of corporate governance, which is still in the process of implementation, is inspired by the recommendations of the Listed Companies' Corporate Governance Committee, which drew up the Voluntary Code of Governance and subsequent amendments relating to legislation regarding the corporate governance of listed companies.

The Company is managed by a ***Board*** that currently consists of 7 members in accordance with the resolutions of the shareholders' meeting held on April 30, 2007.
The Board of Directors of Mondo TV S.p.A. is responsible for drawing up strategic, organizational and operational policies as well as ensuring that suitable control procedures are in place to monitor the performance of the Parent Company and its subsidiaries. In particular, the Board of Directors:

- ✓ assigns and revokes powers and operational duties to directors;
- ✓ on the advice of the Board of Statutory Auditors and on the basis of a proposition made by the director charged with formulating such proposals, it establishes remuneration for directors in accordance with paragraph 3, art. 2389 of the Italian Civil Code;
- ✓ examines and approves the strategic plans of subsidiaries and the Group's corporate structure;
- ✓ oversees the regular conduct of management and examines and approves specific operations of particular financial and economic importance;
- ✓ ensures that the organization and general administration are adequate to requirements;
- ✓ pays particular attention to the monitoring of potential conflicts of interest and related party transactions;
- ✓ reports to the shareholders' meeting.

Current Company By-laws stipulate that the minority has the right to elect one director.

Meetings of the Board of Directors must be attended by an absolute majority of current members and resolutions are passed on the basis of a majority vote by those present. In the case of a tie, the chairman has a casting vote.
The Board of Directors' meeting of May 15, 2006 appointed the Internal Audit and Remuneration Committees.

The ***Internal Audit Committee*** has the following duties:

- ✓ assessment of the Company's internal audit procedures;
- ✓ examination and selection of applications by independent auditors to carry out auditing of the financial statements, with submission of a recommendation to the Board of Directors;
- ✓ submission of a half-yearly report to the Board of Directors regarding its activities and the internal audit proposals it

has approved;

- ✓ all relations with the independent auditors and performance of any duty in this respect assigned by the Board of Directors.

The ***Remuneration Committee*** is responsible for drawing up proposals regarding the fees to be paid to the members of the Board of Directors.

None of the members of either committee has executive powers. Francesco Figliuzzi and Massimiliano Bertolino are also independent within the terms of the Voluntary Code of Governance.

Remuneration of employees is determined by the Chairman and Managing Director within the scope of the powers granted to him.

The Chairman of the Board of Directors is responsible for convening board meetings and setting their agenda beforehand, and coordinating the activities of the Board and chairing the meetings.

At both formal and informal Board meetings the Chairman should ensure that each member of the Board of Directors and the Board of Statutory Auditors is kept as well informed as possible on the activities carried out by the Company and in particular on the actions undertaken by the said Chairman in exercising the powers granted to him.

At each of its meetings, the Board of Directors appoints a secretary to take the minutes.

The ***Board of Statutory Auditors*** consists of three statutory auditors and two alternate auditors elected by the shareholders' meetings, which also establishes their fees.

Current Company By-laws stipulate that the minority has the right to elect one statutory auditor and one alternate auditor.

The Board of Statutory Auditors is appointed via presentation of lists by individually or collectively, hold at least 2% of voting rights.

The lists presented, together with curricula vitae, must be submitted to the Company's registered office at least ten days before the date fixed for a meeting in first call.

The Board of Statutory Auditors acknowledges that its duties are to:

- ✓ act autonomously and independently, including with regard to the shareholders who have elected them;
- ✓ operate exclusively in the interests of the Company;
- ✓ monitor management of the Company by the Board of Directors;
- ✓ coordinate its activities with those of the independent auditors and the internal audit committee.

The existing Board of Statutory Auditors was appointed by the shareholders' meeting of May 28, 2008 and will remain in office until the shareholders approve the financial statements as of and for the year ended December 31, 2010.

In order to facilitate dialogue between the Company, shareholders and institutional investors, the position of ***investor relations manager*** has been established. This post is currently held by the director, Matteo Corradi.

Mr. Matteo Corradi has also been given the specific task of ensuring that documents and information, especially when price sensitive, are disseminated in compliance with indications provided under CONSOB regulation 11.971 and by the Italian Stock Exchange.

At least every six months, the Company organizes meetings with members of the financial community at which results and future strategies are presented. Bilateral meetings are held with institutional investors as requested.

During the year ending December 31, 2008, the Board of Directors met 9 times. Ten meetings are scheduled for 2009. The Company's By-Laws do not specify that a minimum number of Board meetings be held each year. Executive

Directors reported to the Board of Directors at the above-mentioned meetings, and in any case every three months as required by the Voluntary Code of Governance. The Directors were given sufficient advance notification of the agendas of the meetings.

The current Board of Directors of Mondo TV S.p.A. will remain in office until approval of the financial statements for the year ended December 31, 2008, as approved by the General Meeting of shareholders on April 28, 2006.

On March 28, 2008 the Board of Directors of the Parent Company also decided to adopt an organizational model pursuant to Legislative Decree no. 231/2001 regarding the administrative responsibilities of legal persons, companies and associations. This model includes corporate management rules and procedures to be complied with in order to achieve more accurate and efficient administration, as well as absolving the Company from the responsibilities provided for under this legislation. The organizational model envisages adoption of a code of ethics, which has been posted on the Company's website. Implementation of the model is monitored by a Supervisory Board comprising three members of the Parent Company's Board of Directors.

3.3 CORPORATE BODIES OF SUBSIDIARIES

Doro TV Merchandising S.r.l.	Sole CEO Bruno Galizi
Mondo Home Entertainment S.p.A.	Board of Directors Leonardo Pagni (Chairman) Guglielmo Marchetti (Managing Director) Elvio Gasperini Massimiliano Bertolino Giovanni Scrofani Board of Statutory Auditors Francesco Fimmanò (Chairman) Simona Benedetti Laura Rosati Independent Auditors PricewaterhouseCoopers S.p.A. Listing Partner Banca IMI S.p.A
Mondo Licensing S.r.l.	Sole CEO Bruno Galizi
Mondo Distribution S.r.l.	Sole CEO Bruno Galizi
Mondo Cinema S.r.l. (in liquidation)	Receiver Giovanni Scrofani
M.I.M. Mondo Igel Media A.G.	Sole CEO Matteo Corradi Supervisory Board

	Florian Dobroschke (Chairman) Ugo Girardi (Vice Chairman) Vittorio Romani Independent Auditors PricewaterhouseCoopers Gmbh
MAP Music & Pictures Gmbh	Sole CEO Jed Harris
Moviemax Italia S.r.l.	Board of Directors Rudolph Gentile (Chairman) Marco dell'Utri (Vice Chairman) Guglielmo Marchetti (Managing Director) Matteo Corradi Ugo Girardi Board of Statutory Auditors Gian Marco Committeri (Chairman) Laura Rosati Alessandro Mechelli Independent Auditors PricewaterhouseCoopers S.p.A.
Mondo France S.A.S.U.	Directors Matteo Corradi (Chairman) Eve Baron Ugo Girardi Auditor Xavier Christ
Mondo Entertainment Gmbh	Sole CEO Michael Bartels
Mondo TV Kids Inc.	Sole CEO Matteo Corradi
Mondo TV Spain SL.	Sole CEO Matteo Corradi

3,4 LIST OF CONSOLIDATED INVESTMENTS

List of investments held at December 31, 2008

Company	Doro TV Merchandising S.r.l.	
Registered office	Rome (Italy)	
Share capital	10,000 euros	
Equity at Dec 31, 2008	263,964 euros	
Net income/(loss) 2008	– 14,268 euros	
Percentage interest		100%
Company	**Mondo Home Entertainment S.p.A.**	

Registered office	Rome (Italy)
Share capital	618,000 euros
Equity at Dec 31, 2008	2,673,950 euros
Net income/(loss) 2008	– 7,263,383 euros
Percentage interest	56.97%
Company	**Mondo Licensing S.r.l.**
Registered office	Rome (Italy)
Share capital	10,000 euros
Equity at Dec 31, 2008	5,975 euros
Net income/(loss) 2008	– 4,025 euros
Percentage interest	100%
Company	**Mondo Cinema S.r.l. (in liquidation)**
Registered office	Rome (Italy)
Share capital	74,450 euros
Equity at Dec 23, 2008	55,103 euros
Net income/(loss) 2008	– 323,672 euros
Percentage interest	40.96%[6]
Company	**Mondo Distribution S.r.l.**
Registered office	Rome (Italy)
Share capital	10,000 euros
Equity at Dec 31, 2008	54,553 euros
Net income/(loss) 2008	- 1,096 euros
Percentage interest	100%
Company	**MIM Mondo Igel Media A.G.**
Registered office	Hamburg, Germany
Share capital	1,694,777 euros
Equity at Dec 31, 2008	1,287,583 euros
Net income/(loss) 2008	28,485 euros
Percentage interest	59.11%
Company	**Moviemax Italia S.r.l.[7]**
Registered office	Rome (Italy)
Share capital	500,000 euros
Equity at Dec 31, 2008	1,139,173 euros
Net income/(loss) 2008	491,450 euros
Percentage interest[8]	29.05%
Company	**Mondo France SASU[9]**
Registered office	Paris, France
Share capital	100,000 euros
Equity at Dec 31, 2008	– 400,059 euros
Net income/(loss) 2008	– 24,084 euros
Percentage interest	100.00%

[6] Direct shareholding - 9%
[7] The data shown in the annex correspond to the financial statements of Moviemax, without taking consolidation adjustments into account
[8] Investment indirectly held through Mondo Home Entertainment S.p.A.
[9] Incorporated on March 27, 2006

Company	Mondo Entertainment Gmbh[10]	
Registered office	Hamburg	
Share capital	250,000 euros	
Equity at Dec 31, 2008	530,406 euros	
Net income/(loss) 2008	–559,390 euros	
Percentage interest[11]		51.27%
Company	**MAP Music & Pictures Gmbh**	
Registered office	Hamburg	
Share capital	25,000 euros	
Equity at Dec 31, 2008	21,117 euros	
Net income/(loss) 2008	-3,462 euros	
Percentage interest		59.11%
Company	**Mondo TV Kids Inc.**	
Registered office	Irving, Texas	
Share capital	USD 100,000	
Equity at Dec 31, 2008	-21,927 USD	
Net income/(loss) 2008	-88,963 USD	
Percentage interest		100%
Company	**Mondo TV Spain SL.**	
Registered office	Madrid	
Share capital	100,000 euros	
Equity at Dec 31, 2008	- 36,077 euros	
Net income/(loss) 2008	- 136,077 euros	
Percentage interest		100%

3.5 LIST OF RELATED PARTIES

Company name or name and surname	Status
Trilateral land Srl	Company managed or owned by a related party
Refidata Srl	Company managed or owned by a related party
Xco holding Ltd	Company managed or owned by a related party
IME Gmbh	Unconsolidated subsidiary (in liquidation)
Orlando Corradi	Controlling shareholder – MTV Director
Massimiliano Bertolino	MTV and MHE Director
Matteo Corradi	MTV, MHE, MIM, MFR, MCIN and MVMX Director
Monica Corradi	MTV Director
Francesco Figliuzzi	MTV Director
Ugo Girardi	MTV, MFR and MVMX Director – MIM Supervisory Board
Leonardo Pagni	MTV Director
Bruno Galizi	DORO, MLIC and MDIS Director

[10] Acquired on January 17, 2007 – the data shown in the annex are taken from the pro-forma financial statements of the subsidiary, used for the purposes of consolidation and restated in accordance with IFRS.
[11] Investment indirectly held through Mondo Home Entertainment S.p.A.

Florian Dobroscke	MIM Supervisory Board
Vittorio Romani	MIM Supervisory Board
Eve Baron	MFR Director
Guglielmo Marchetti	MHE, MVMX and MCIN Director
Luigi Affaba	MHE Director
Giovanni Scrofani	MHE and MCIN Director
Max Cosenza	MCIN Director
Paolo Maria Montagna	MCIN Director
Rudolph Gentile	MVMX Director
Marco Dell'Utri	MVMX Director
RG Holding	Company managed or owned by a related party
Finanziaria Cinema	Company managed or owned by a related party
Moviemax	Sale of Moviemax Italia investment
Michael Bartels	MEG Director
Riccardo Corradi	Orlando Corradi's son

4. FINANCIAL STATEMENTS OF THE PARENT COMPANY, MONDO TV S.P.A.

4.1 BALANCE SHEET FOR 2008 (compared with Dec 31, 2007)

(thousands of euros)

Balance Sheet

	Dec 31, 2008	Dec 31, 2007	2008-2007	% diff.
Non-current assets				
- Intangible rights	*10,662*	*12,897*	*-2,235*	*-17%*
- Goodwill	*0*	*0*	*0*	*-*
- Other intangible assets	*69*	*102*	*-33*	*-32%*
Intangible assets	10,731	12,999	-2,268	-17%
Property, plant and equipment	301	293	8	3%
Equity investments	1,910	3,141	-1,231	-39%

Receivables	4	4	0	0%
Deferred tax assets	11,000	11,012	-12	0%
	23,946	**27,449**	**-3,503**	-13%
Current assets				
Closing inventory	0	0	0	0%
Trade receivables	10,597	9,631	966	10%
Financial receivables	111	28	83	296%
Direct tax credits	54	57	-3	-5%
Other assets	118	118	0	0%
Cash and cash equivalents	399	1,607	-1,208	-75%
	11,279	**11,441**	**-162**	-1%
Total assets	**35,225**	**38,890**	**-3,665**	-9%
Non-current liabilities				
Provisions for employee termination indemnities	158	149	9	6%
Provisions	399	399	0	0%
Deferred tax liabilities	370	409	-39	-10%
Trade payables and other payables	0	0	0	0%
Borrowings	0	14	-14	-100%
	927	**971**	**-44**	-5%
Current liabilities				
Provisions	200	0	200	
Trade payables and other payables	8,693	6,151	2,542	41%
Borrowings	2,215	671	1,544	230%
Direct taxes due	4	4	0	0%
Other liabilities	1,446	1,716	-270	-16%
	12,558	**8,542**	**4,016**	47%
Total liabilities	**13,485**	**9,513**	**3,972**	42%
- Share capital	*2,202*	*2,202*	*0*	*0%*
- Share premium reserve	*57,325*	*57,325*	*0*	*0%*
- Legal reserve	*431*	*431*	*0*	*0%*
- Accumulated losses	*-30,582*	*-26,965*	*-3,617*	*13%*
- Net income/(loss) for the period	*-7,636*	*-3,616*	*-4,020*	*111%*
Total equity	**21,740**	**29,377**	**-7,637**	**-26%**
Total liabilities + equity	**35,225**	**38,890**	**-3,665**	**-9%**

4.2 INCOME STATEMENT FOR 2008 (compared with 2007)

Income Statement

	2008	**2007**	**2008-2007**	**% diff.**
Revenues from sales and services	4,567	9,934	-5,367	-54%
Other income	81	75	6	8%
Changes in inventories	0	0	0	0%
Raw and consumable materials and goods for resale	-184	-257	73	-28%
Labor costs	-809	-723	-86	12%

Amortization and impairment of intangible assets	-3,986	-4,405	419	-10%
Depreciation and impairment of property, plant and equipment	-165	-282	117	-41%
Provisions for doubtful accounts	-1,061	-2,330	1,269	-54%
Other operating expenses	-4,503	-4,122	-381	9%
Operating income/(loss)	**-6,060**	**-2,110**	**-3,950**	187%
Net financial income/(expense)	**-1,615**	**-1,132**	**-483**	43%
Pre-tax income/(loss) for the period	**-7,675**	**-3,242**	**-4,433**	137%
Income taxes	39	-374	413	-110%
Net income/(loss) for the year	**-7,636**	**-3,616**	**-4,020**	111%

4.3 STATEMENT OF CHANGES IN EQUITY FOR 2008

Breakdown of changes in equity

(thousands of euros)	Share capital	Legal reserve	Retained earnings/ (accumulated losses)	Share premium reserve	Net income/ (loss) for the period	Equity
Financial statements Dec 31, 2006 (IFRS restated)	**2,202**	**431**	**-28,903**	**57,325**	**1,938**	**32,993**
Allocation of net income for 2006	0	0	1,938	0	-1,938	0
Net loss for 2007	0	0	0	0	-3,616	-3,616
Balance at Dec 31, 2007	**2,202**	**431**	**-26,965**	**57,325**	**-3,616**	**29,377**
Allocation of net income for 2007	0	0	-3,616	0	3,616	0
Total net income/(loss) for the period	0	0	0	0	-7,636	-7,636
Balance at Dec 31, 2008	**2,202**	**431**	**-30,581**	**57,325**	**-7,636**	**21,741**

4.4 STATEMENT OF CASH FLOWS FOR 2008 AND NET LIQUIDITY/(DEBT)

Statement of Cash Flows

(thousands of euros)	**2008**	**2007**	**2008-2007**
A. CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,607	1,708	-101
Total net income/(loss) for the period	-7,636	-3,616	-4,020
Amortization, depreciation and impairments	6,771	7,818	-1,047
Net change in allowances	209	34	175
Cash flows from operating activities before changes in working capital	-656	4,236	-4,892
(Increase) decrease in trade receivables and other receivables	-2,028	-2,933	905
(Increase) decrease in inventories	0	0	0
(Increase) decrease in deferred tax assets	15	830	-815
(Increase) decrease in other assets	-1	201	-202

Increase (decrease) in accounts payable	2,542	1,759	783
Increase (decrease) in tax liabilities	-39	-680	641
Income taxes paid	0	0	0
Increase (decrease) in other liabilities	-271	-1,286	1,015
B. NET CASH FLOW PRODUCED FROM (USED IN) OPERATING ACTIVITIES	-438	2,127	-2,565
(Investment in) disposals of fixed assets			
- Intangible assets	-1,718	-2,117	399
- Property, plant and equipment	-172	-11	-161
- Financial assets	-327	-96	-231
C. NET CASH FLOW USED IN INVESTING ACTIVITIES	-2,217	-2,224	7
Capital transactions	0	0	0
(Increase) decrease in loans and receivables and securities	-83	49	-132
Increase (decrease) in borrowings	1,435	-124	1,559
Interest paid	95	71	24
D. NET CASH FLOW USED IN FINANCING ACTIVITIES	1,447	-4	1,451
E. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	-1,208	-101	-1,107
F. CASH AND CASH EQUIVALENTS AT END OF YEAR	399	1,607	-1,208

Net liquidity/(debt)

(thousands of euros)	**Dec 31, 2008**	**Dec 31, 2007**
Cash and cash equivalents	399	1,607
Readily convertible securities		
Short-term loans and receivables	110	28
Short-term borrowings	-2,215	-74
Short-term shareholder loans	0	-597
Net short-term (debt)/liquidity	**-1,706**	**964**
Medium/long-term shareholders loans		
Long-term financial receivables		
Non-current portions of medium/long-term debt	0	-14
Medium-/long-term (debt)/liquidity	**0**	**-14**
Net liquidity/(debt)	**-1,706**	**950**

Attestation pursuant to art. 81-*ter* of CONSOB Regulation 11971 of May 14, 1999 and subsequent amendments and additions

1. The undersigned, Orlando Corradi and Carlo Marchetti, as Managing Director and Manager responsible for financial reporting, respectively, of Mondo TV S.p.A. (the "**Company**" or the "**Issuer**"), taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of February 24, 1998, vouch for:

- the appropriateness in terms of the Company's characteristics and
- the effective application of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the year ended December 31, 2008.

2. In this respect, on May 15, 2008 the Company appointed the new Manager responsible for financial reporting, who has continued the process of rationalizing the administrative and accounting procedures followed in the preparation of financial statements, which was begun in 2007.

3. Moreover, it is hereby stated that the consolidated financial statements as of and for December 31, 2008:

a) reflect the underlying accounting records;

b) have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and ratified by the European Commission, and are deemed to provide a true and fair view of the Issuer's financial position, results of operations and cash flows, as well as of all the consolidated companies.

Rome (Italy)

April 9, 2009

Orlando Corradi (Managing Director of Mondo TV S.p.A.)

Carlo Marchetti (Manager responsible for financial reporting at Mondo TV S.p.A.)