INTERIM REPORT ON OPERATIONS

Q1 2016

APPROVED BY THE BOARD OF DIRECTORS ON 12 MAY 2016

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1. HIGHLIGHTS

Reclassified condensed consolidated income statement		
(Euro thousands)	**Q1 2016**	**Q1 2015**
Revenues	5,705	4,143
Capitalisation of internally produced animated series	275	461
Operating costs	(1,773)	(2,703)
EBITDA	**4,207**	**1,901**
Amortisation and depreciation, impairment, and provisions	(1,882)	(1,378)
EBIT	**2,325**	**523**
Net finance income (expenses)	(119)	(60)
Profit (loss) of the period before tax	**2,206**	**463**
Income tax expense	(740)	(176)
Net profit (loss) for the period	**1,466**	**287**
Profit (loss) for the year attributable to non-controlling interests	(68)	22
Profit (loss) attributable to owners of the Parent	**1,534**	**265**

Reclassified condensed consolidated statement of financial position		
(Euro thousands)	**31.03.2016**	**31.12.2015**
Non-current fixed assets	**26,768**	**24,712**
Current assets	28,716	29,340
Current liabilities	(11,494)	(13,168)
Net working capital	**17,222**	**16,172**
Non-current liabilities	**(525)**	**(509)**
Invested capital	**43,465**	**40,375**
Net financial position	(1,436)	106
Shareholders' equity	**42,029**	**40,481**
Non-controlling interests	1,318	1,387
Equity attributable to owners of the Parent	**40,711**	**39,094**

Consolidated cash flow statement			
(Euro thousands)	Q1 2016	Q1 2015	Change
A. OPENING CASH AND CASH EQUIVALENTS	2,869	423	2,446
Cash flow from (used in) operating activities before changes in working capital	2,679	1,665	1,014
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	2,596	120	2,476
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(4,220)	(262)	(3,958)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	269	1,809	(1,540)
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(1,355)	1,667	(3,022)
F. CLOSING CASH AND CASH EQUIVALENTS	1,514	2,090	(576)

2. INTRODUCTION

2.1 General and methodological introduction

This interim report on the Group's operations in the first quarter of 2016 is on a consolidated basis and has been prepared in accordance with article 154-ter, paragraph 5 of Legislative Decree 58/1998 (CFA), as amended by Legislative Decree 195/2007, which implemented Directive 2004/109/EC (Transparency Directive) and takes into account the communication from CONSOB, the accounting rules office, dated 30.4.2008.

It consists of a number of statements containing quantitative figures and explanatory and supplementary notes.
The purpose of the interim report on operations is to provide a general description of the financial position and performance of the Mondo TV Group during the period under review and to illustrate the significant events and transactions that took place during the period under review and their impact on the Group's financial position.

The income statement figures are shown with reference to the three months of the current year 2016 and are compared to the corresponding period of the previous year 2015.
The net financial position figures are compared with the closing figures for the previous year (31.12.2015).
All economic and financial figures are provided on a consolidated basis and are shown in Euro thousands.

The interim report on operations has not been audited.

This report is expressed in Euro (€), as this is the currency in which most of the Group's transactions are conducted. Operations abroad are included in the consolidated financial statements in compliance with the standards indicated in the following notes.

The items indicated in the reclassified financial statements presented above are in part taken from the statutory financial statements and reported further on in this document, and are in part the result of aggregations; the composition of the latter and the references to the items in the statutory financial statements are shown below.
Current assets: the sum of closing inventories, trade receivables, tax assets, and other assets.
Current liabilities: the sum of trade payables, tax payables and other liabilities.
Non-current liabilities: the sum of provisions for risks and charges (including current) and deferred tax liabilities.
Net financial position: the sum of financial receivables, cash and cash equivalents, current and non-current financial payables.
Revenues: the sum of revenues from sales and services, other revenues, change in inventories.
Operating costs: the sum of consumable raw materials, personnel costs and other operating costs.
Amortisation, depreciation, impairment and provisions: the sum of amortisation and impairment of intangible assets, depreciation and impairment of property, plant and equipment, and the allowance for doubtful debts.
Gross operating margin (EBITDA): the difference between operating revenues and costs as defined above.

Operating result (EBIT): the difference between EBITDA and amortisation, depreciation, impairment and provisions as defined above.

It is noted that the items mentioned above, such as EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), EBIT, and net financial position are usually identified without having a consistent definition in the accounting standards or in the Italian Civil Code, and that therefore, they may not be comparable with items of the same name reported by other companies.

ANNEXES

In order to supplement the information contained in the report, the following statements and documents are annexed:
Annex 1): summary financial statements of the parent company Mondo TV S.p.A.
Annex 2): corporate bodies of the parent company Mondo TV S.p.A.
Annex 3): corporate bodies of subsidiaries

2.2 Accounting standards and measurement bases

The income statement and statement of financial position figures presented in the interim report on operations have been determined in accordance with the International Financial Reporting Standards (hereinafter referred to as IFRS or international accounting standards) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set out in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to article 9 of Legislative Decree 38/2005.

The interim report on operations does not qualify as interim financial statements pursuant to IFRS and, in particular, IAS 34.
The term IFRS encompasses all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission as of the date of approval of the Interim Report on Operations.

The valuation of financial statement items was based on general prudence and accrual criteria, on a going concern basis.
Application of the principle of prudence has resulted in the individual valuation of the elements making up the individual items or items of assets and liabilities, in order to avoid offsetting losses that should have been recognised with unrealised gains.
In compliance with the accrual principle, the effect of transactions and other events was accounted for and allocated to the period to which such transactions and events refer, and not to the period in which the related cash movements (collections and payments) take place.

With regard to the criteria adopted for the valuation of the individual items of the statement of financial position and income statement, they are unchanged from those adopted when preparing the separate and consolidated financial statements at 31.12.2015. Reference is therefore made to said statements for an analytical description.

2.3 Consolidation scope and criteria

The financial statements of the consolidated companies as submitted by their respective Boards of Directors, have been used to prepare the interim report on operations at 31 March 2016. The financial statements prepared by the subsidiaries have been adjusted, where necessary, by the Parent Company to make them adherent to the IFRS.

Subsidiaries are all the companies (including special purpose entities) in relation to which the Group has the power to govern the financial and operating policies, generally with a shareholding of at least half plus one of the actual or potential voting rights in the Shareholders' Meeting. The subsidiaries are consolidated starting from the date when the Group acquires control. They will be deconsolidated on the date when such control is lost.
Intercompany balances, transactions, and unrealised net gains from intercompany transactions, are eliminated.
Equity and the profit (loss) for the year attributable to non-controlling interests are presented separately in the statement of financial position and in the income statement of the consolidated financial statements.
There are no jointly controlled companies.

The subsidiaries were consolidated using the line-by-line method.
The assets and liabilities, expenses and income of the companies consolidated on a line-by-line basis are fully included in the consolidated financial statements, and the book value of equity investments is eliminated against the corresponding portion of the shareholders' equity of the investee companies, attributing to the individual assets and liabilities their current value on the date control was acquired. Any residual difference, if positive, is recorded under non-current assets as goodwill and consolidation differences, if negative it is charged to the income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those adopted by the Group.

Intra-group transactions, as well as those with related parties, were carried out on an arm's length basis, while no atypical transactions were carried out.

2.4 Estimated figures

In general, it has not been necessary to use estimates and assumptions in preparing these financial statements since the accounting figures are available from the Group's IT accounting system, with the following significant exceptions:

- Rights on films and animated series, that make up the Group's "library", are amortised under the individual-film-forecast-computation method, based on the percentage ratio, determined on the date of preparation of the financial statements for each title in the "library", between revenue earned on the reference date, and the total expected revenue based on the sales plan drafted by the Directors over 10 years from the title's release date.

Amortisation starts as soon as the title is completed and feasible for commercial use.

- Deferred tax assets are recognised in financial statements to the extent they are likely to be recovered; in particular, the recognition of deferred tax assets reflects the assessments made by the Board of Directors of the Parent Company and by the competent bodies of the other group companies regarding the presence of future taxable income generated by the activities of the companies so as to allow the recovery thereof.

3. STATEMENTS OF QUANTITATIVE FIGURES

3.1 Statement of financial position at 31 March 2016 and comparisons with 2015

Statement of financial position

(Euro thousands)	**31.03.2016**	**31.12.2015**
Non-current assets		
- Intangible rights	*18,509*	*16,116*
- Other intangible assets	*34*	*33*
Intangible assets	18,543	16,149
Tangible assets	338	336
Equity investments	112	20
Deferred tax assets	7,621	8,054
Receivables	461	461
	27,075	**25,020**
Current assets		
Trade receivables	21,760	22,292
Tax assets	6,595	6,694
Other assets	361	353
Cash and cash equivalents	1,514	2,869
	30,230	**32,208**
Total assets	**57,305**	**57,228**
Non-current liabilities		
Provision for post-employment benefits	362	346
Provisions for risks and charges	23	23
Deferred tax liabilities	141	141
Financial payables	199	217
	725	**727**
Current liabilities		
Provisions for risks and charges	32	717
Trade payables	9,892	10,881
Financial payables	3,058	2,853
Tax liabilities	73	73
Other liabilities	1,496	1,496
	14,551	**16,020**
Total liabilities	**15,276**	**16,747**
- Share capital	*13,212*	*13,212*
- Share premium provision	*12,563*	*12,563*
- Legal reserve	*2,642*	*2,642*
- Other reserves	*8,677*	*8,593*
- Retained earnings (losses)	*2,083*	*(1,007)*
- Profit (loss) for the period	*1,534*	*3,090*
Equity attributable to owners of the Parent	40,711	39,093
Non-controlling interests	1,318	1,388
Total equity	**42,029**	**40,481**
Total liabilities + equity	**57,305**	**57,228**

3.2 Changes in the Group's net financial position

Consolidated net financial position		
(Euro thousands)	**31.03.2016**	**31.12.2015**
Cash and cash equivalents	1,514	2,869
Current financial payables due to banks	(3,004)	(2,529)
Current payables due to COFILOISIR	(54)	(324)
Net current financial position	**(1,544)**	**16**
Non-current payables due to banks	(199)	(217)
Net non-current financial position	**(199)**	**(217)**
Net financial debt as per comm. Consob DEM/6064293	**(1,743)**	**(201)**
Non-current receivables due from third parties	307	307
Consolidated net financial position	**(1,436)**	**106**

3.3 Analysis of changes in intangible assets

Changes in intangible assets			
(Euro thousands)	**Intangible rights**	**Other intangible assets**	**TOTAL**
Cost as at 31.12.2013	140,238	1,200	141,438
Amortisation and impairment as at 31.12.2013	(133,254)	(1,148)	(134,402)
Net value 31.12.2013	**6,984**	**52**	**7,036**
Year 2014			
Increases in the period	5,825	1	5,826
Amortisation and impairment in the period	(4,601)	(18)	(4,619)
MIM deconsolidation	1,427	-	1,427
Cost as at 31.12.2014	147,490	1,201	148,691
Amortisation and impairment as at 31.12.2014	(137,855)	(1,166)	(139,021)
Net value 31.12.2014	**9,635**	**35**	**9,670**
Year 2015			
Increases in the period	9,604	12	9,616
Amortisation and impairment in the period	(3,123)	(14)	(3,137)
Cost as at 31.12.2015	157,094	1,213	158,307
Amortisation and impairment as at 31.12.2015	(140,978)	(1,180)	(142,158)
Net value 31.12.2015	**16,116**	**33**	**16,149**
Q1 2016			
Increases in the period	4,093	1	4,094
Amortisation and impairment in the period	(1,700)	-	(1,700)
Cost as at 31.03.2016	161,187	1,214	162,401
Amortisation and impairment at 31.03.2016	(142,678)	(1,180)	(143,858)
Net value at 31.03.2016	**18,509**	**34**	**18,543**

3.4 Income statement Q1 2016

Consolidated income statement		
(Euro thousands)	**Q1 2016**	**Q1 2015**
Revenue from sales and services	5,681	3,299
Other income	24	845
Capitalisation of internally produced animated series	275	461
Raw materials, consumables and goods	(30)	(24)
Personnel costs	(503)	(523)
Amortisation and impairment of intangible assets	(1,700)	(1,290)
Depreciation and impairment of tangible assets	(32)	(37)
Allowance for doubtful debts	(150)	(50)
Other operating costs	(1,240)	(2,158)
EBIT	**2,325**	**523**
Financial expenses	(119)	(60)
Profit (loss) of the period before tax	**2,206**	**463**
Income tax expense	(740)	(176)
Net profit for the period	**1,466**	**287**
Profit (loss) for the year attributable to non-controlling interests	(68)	22
Profit (loss) attributable to owners of the Parent	**1,534**	**265**

3.5 Cash flow statement Q1

Consolidated cash flow statement			
(Euro thousands)	**Q1 2016**	**Q1 2015**	**Change**
A. OPENING CASH AND CASH EQUIVALENTS	**2,869**	**423**	**2,446**
Group profit (loss) of the period	1,534	265	1,269
Profit (loss) for the year attributable to non-controlling interests	(68)	22	(90)
Total profit (loss) of the period	1,466	287	1,179
Depreciation, amortisation and impairment	1,882	1,377	505
Net change in provisions	(669)	1	(670)
Cash flow from (used in) operating activities before changes in working capital	**2,679**	**1,665**	**1,014**
(Increase) decrease in trade receivables	382	(44)	426
(Increase) decrease in tax assets	532	460	72
(Increase) decrease in other assets	(8)	(11)	3
Increase (decrease) in trade payables	(989)	(1,962)	973
Increase (decrease) in tax liabilities	-	12	(12)
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	**2,596**	**120**	**2,476**
(Acquisition) / Disposal of			
- Intangible assets	(4,094)	(197)	(3,897)
- Tangible assets	(34)	(65)	31
- Financial assets	(92)	-	(92)
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(4,220)**	**(262)**	**(3,958)**
Changes in capital	82	2,027	(1,945)
Increase (decrease) in financial payables	187	(218)	405
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	**269**	**1,809**	**(1,540)**
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	**(1,355)**	**1,667**	**(3,022)**
F. CLOSING CASH AND CASH EQUIVALENTS	**1,514**	**2,090**	**(576)**

4. EXPLANATORY AND SUPPLEMENTARY NOTES

4.1 General description of the Group's financial position and performance

The following table represents Q1 2016 compared to the corresponding period in 2015:

Reclassified condensed consolidated income statement		
(Euro thousands)	**Q1 2016**	**Q1 2015**
Revenues	5,705	4,143
Capitalisation of internally produced animated series	275	461
Operating costs	(1,773)	(2,703)
EBITDA	**4,207**	**1,901**
Amortisation and depreciation, impairment, and provisions	(1,882)	(1,378)
EBIT	**2,325**	**523**
Net finance income (expenses)	(119)	(60)
Profit (loss) of the period before tax	**2,206**	**463**
Income tax expense	(740)	(176)
Net profit (loss) for the period	**1,466**	**287**
Profit (loss) for the year attributable to non-controlling interests	(68)	22
Profit (loss) attributable to owners of the Parent	**1,534**	**265**

With regard to the balance sheet, the most significant investments relate to the production of the animated series Beastkeepers, Partidei, Adventures in Duckport and Isola del Tesoro by the parent company.

The production value, given by the sum of revenues and capitalisation of animated series produced internally, amounted to Euro 6.0 million compared to Euro 4.6 million in the same period of 2015, with an increase mainly determined by the higher sales of licenses by the parent company.
EBITDA amounted to Euro 4.2 million, a significant increase compared to Euro 1.9 million in the same period of 2015, while EBIT amounted to Euro 2.3 million, a significant increase (+345%) compared to Euro 0.5 million in the same period of 2015.

The net result is a profit of 1.5 million compared to a profit of 0.3 million in the corresponding period of 2015.

The Net Financial Position at 31 March 2016 was a debt of Euro 1.4 million compared to cash of Euro 0.1 million at 31 December 2015; the change was driven by investments made in the quarter in animation series.

Group shareholders' equity was approximately Euro 42.0 million compared to Euro 40.5 million at 31 December 2015.

The Parent Company Mondo TV S.p.A. closed the period with a production value up 73% to Euro 4.95 million compared to Euro 2.75 million in the three months of 2015; quintupled EBITDA, which rose to Euro 3.9 million from Euro 0.8 million in Q1 2015 while net profit rose to Euro 1.3 million from Euro 0.3 million in Q1 2015.

4.2 Significant events and transactions in Q1 2016 and their impact on the Group’s financial and economic position

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

On 22 February 2016, the Parent Mondo TV S.p.A. signed an investment agreement with GEM Global Yield Fund Limited LCS SCS and GEM Investments America LLC, which provides a reserved capital increase, with the exclusion of option rights, for a maximum of Euro 35 million, through the use of a Share Subscription Facility. Mondo TV will also issue a global warrant, exercisable within three years of issue, in favour of GEM for the subscription of 500,000 Mondo TV shares at the price of Euro 6.50 per share, 1,500,000 Mondo TV shares at the price of Euro 8.00 per share and 500,000 Mondo TV shares at the price of Euro 10 per share, for a total value of Euro 20.25 million.

Management believes that through this agreement, it is possible to anticipate to 2019 the results expected for 2020: in fact, the capital increase, as stated above, is intended to allow an acceleration and extension of the investments underlying the Company’s business plan for the period 2016-2020 by strengthening the capital and financial structure.

The possibility to recover more quickly and, if necessary, with higher volume, the resources useful for the development of the plan, may allow anticipating investments as well as in the core sector of audiovisual production and distribution also in additional sectors such as “game on-line” and “toy” and should therefore allow the Company to accelerate the achievement of the objectives referred to in the aforementioned business plan.

On 9 March 2016, the Board of Directors of Mondo TV sent the first subscription request related to the investment agreement with GEM.

4.3 Events after period-end and outlook for the year

On 9 March 2016, the Board of Directors of Mondo TV sent the first subscription request related to the investment agreement with GEM; following the first request, in April, GEM subscribed 1,226,339 shares for a total amount of approximately Euro 5 million, net of commissions,
These resources will be used mainly to develop teen series co-productions, which represent a business currently experiencing strong growth and significant margins.

On behalf of the Board of Directors
Chief Executive Officer

(Matteo Corradi)

STATEMENT BY THE COMPANY'S HEAD OF FINANCIAL REPORTING PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998

The company's head of financial reporting, Carlo Marchetti, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Finance Act, that the information contained in this document "Interim Report on Operations Q1 2016" corresponds to the document results, accounting books and records.

Head of Financial Reporting
Carlo Marchetti

3. ANNEXES

3.1 PARENT COMPANY CONDENSED FINANCIAL STATEMENTS

Condensed statement of financial position		
(Euro thousands)	**31.03.2016**	**31.12.2015**
Non-current fixed assets	**26,259**	**24,379**
Current assets	28,148	28,803
Current liabilities	11,563	12,959
Net working capital	**16,585**	**15,844**
Non-current liabilities	**1,187**	**1,171**
Invested capital	**41,657**	**39,052**
Net financial position	(1,387)	(182)
Shareholders' equity	**40,270**	**38,870**

Condensed statement of comprehensive income		
(Euro thousands)	**Q1 2016**	**Q1 2015**
Revenues	4,949	2,751
Capitalisation of internally produced animated series	270	263
Operating costs	(1,332)	(2,220)
EBITDA	**3,887**	**794**
Amortisation and depreciation, impairment, and provisions	(1,801)	(273)
EBIT	**2,086**	**521**
Net finance income (expenses)	(118)	(55)
Profit (loss) of the period before tax	**1,968**	**466**
Income tax expense	(652)	(171)
Profit (loss) for the year	**1,316**	**295**

3.2 CORPORATE BODIES OF THE PARENT

Board of Directors[1]

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

Internal Control Committee

Chair
Francesco Figliuzzi
Members
Marina Martinelli

Remuneration Committee

Chair
Marina Martinelli
Members
Francesco Figliuzzi

Investor Relator

Matteo Corradi

Board of Statutory Auditors[4]

Marcello Ferrari (Chair)
Adele Barra
Vittorio Romani

Independent Auditors[5]

BDO S.p.A.

Sponsor and Specialist

Intermonte

[1] In office until the approval of the Financial Statements at 31.12.2017
[2] Independent Director
[3] Independent Director
[4] In office until the approval of the Financial Statements at 31.12.2016
[5] Assignment for nine financial years, until the approval of the financial statements at 31.12.2023

3.3 CORPORATE BODIES OF THE SUBSIDIARIES

Mondo TV Suisse S.A.	Board of Directors Ivano D'Andrea (Chair) Guido Bertè Matteo Corradi Alexander Manucer
Mondo France S.A.	Directors Matteo Corradi (Chair) Eve Baron Carlo Marchetti Fabrizio Balassone
Mondo TV Spain S.L.	Sole Director Matteo Corradi