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

# Mondo TV S.p.A.

## Share Capital Euro 13,825,583 - fully paid-in

| | |
|---|---|
| Registered office | Via Brenta 11- Rome (Italy) |
| Other offices | Via Montenero 42 – 44 Guidonia (RM), (Italy) |
| | 52, Rue Gerard – 75013 Paris (France) |
| | Via Crocicchio Cortogna 6 – 6900 Lugano (Switzerland) |
| | C/ Ríos Rosas 36 - Madrid (Spain) |
| | Via Melchiorre Gioia 72 - Milan |

# Half-Year Consolidated Financial Report 30 June 2016

*Approved: Board of Directors' Meeting of 30 September 2016*

**CONTENTS**

## CORPORATE GOVERNANCE

The Parent Company Mondo TV S.p.A. adopted the traditional system of management and control. In particular, the Shareholders' Meeting resolved the appointment:

- of the Board of Directors, which has sole responsibility for the management of the Company for the three-year period 2015-2017 (resolution of 30 April 2015);
- of the Board of Statutory Auditors with the task of monitoring compliance with the Law, the Articles of Association and compliance with the principles of correct administration for the three-year period 2014-2016 (resolution of 29 April 2014);
- of the independent auditors assigned the statutory audit under article 14 of Legislative Decree no. 39 of 27/01/2010 for the nine-year period 2015-2023 (resolution of 30 April 2015).

**Board of Directors**
Orlando Corradi - Chair of the Board of Directors
Matteo Corradi - Chief Executive Officer
Monica Corradi - Director
Carlo Marchetti - Director and Head of Financial Reporting
Francesco Figliuzzi - Independent Director
Marina Martinelli - Independent Director

**Board of Statutory Auditors**
Marcello Ferrari - Chair of the Board of Statutory Auditors
Vittorio Romani - Regular Auditor
Adele Barra - Regular Auditor
Alberto Montuori - Alternate Auditor
Silvia Gregori - Alternate Auditor

**Independent Auditors**
BDO Italia S.p.A.

**Other bodies of the Parent Company:**

**Internal Control and Audit Committee**
Francesco Figliuzzi - Chair
Marina Martinelli - Member

**Supervisory Body (Legislative Decree 231/2001)**
Francesco Figliuzzi
Marina Martinelli

**Head of Financial Reporting**
Carlo Marchetti

# 1. INTERIM REPORT ON OPERATIONS - HY1 2016

## 1.1 GENERAL COMMENTARY

The half-year financial report of the Mondo TV Group as at 30 June 2016 has been prepared in accordance with the provisions of article 154-ter paragraph 2 of Legislative Decree no. 58/98 - Consolidated Finance Act (TUF, Testo Unico della Finanza) - and subsequent amendments or additions.
The condensed half-year consolidated financial statements as at 30 June 2016, included in the half-year financial report, have been prepared in accordance with IAS 34 "Interim Financial Statements", issued by the International Accounting Standards Board (IASB) and consist of the consolidated income statement, consolidated comprehensive income statement, consolidated statement of financial position, consolidated statement of cash flows, statement of changes in consolidated shareholders' equity and notes.

In accordance with IAS 34, the notes are summarized and do not include all the information required in the annual financial statements, referring exclusively to components that, by amount, composition or variation, are essential for the purpose of understanding the Group's economic, financial and equity position. Therefore, this half-year financial report should be read in conjunction with the consolidated financial statements as at 31 December 2015.

The condensed half-year consolidated financial statements include the financial statements of Mondo TV S.p.A. and Italian and foreign companies regarding which the Parent Company Mondo TV S.p.A. exercises control in accordance with IFRS 10.

The condensed half-year consolidated financial statements show a net profit of Euro 3,436 thousand (FY 2015: Euro 751 thousand) after depreciation, amortisation and write-downs of assets for Euro 2,692 thousand (FY 2015: Euro 2,568 thousand).

As for the income statement, the changes are summarised as follows:

| **Condensed Consolidated Income Statement** | | |
|---|---|---|
| *(Euro thousands)* | **HY1 2016** | **HY1 2015** |
| **Revenues** | **11,507** | **7,645** |
| **Capitalisation of internally produced animated series** | **617** | **907** |
| **EBITDA** | **7,952** | **3,757** |
| **EBIT** | **5,260** | **1,189** |
| **Profit (loss) of the period before tax** | **5,043** | **1,261** |
| **Profit (loss) for the year** | **3,320** | **801** |
| **Profit (loss) attributable to owners of the Parent** | **3,436** | **751** |

The items indicated in the reclassified HY financial statements presented above are in part taken from the HY 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 HY financial statements are shown below.

**Revenues:** the sum of "revenues from sales and services" and "other revenues".

**Gross operating margin (EBITDA):** the sum of “Revenues” as defined above less “Raw materials, consumables and goods”, “Personnel costs”, and “Other operating costs”.

Compared to the same period in 2015, the increase in revenues of Euro 3.9 million in absolute value and around 51% in percentage terms is attributable to both the higher sales of television rights on the Asian market and Group production activity, with particular reference to the progress of production on international contracts acquired by the Parent Company and the subsidiary Mondo TV Suisse.

The capitalisation of internally produced animated series mainly refers to the productions of the Parent Company and was Euro 0.6 million (Euro 0.9 million in the corresponding period of 2015), with a decrease attributable to the subsidiary Mondo TV France, which will launch new productions in the final part of the year.

Operating costs decreased by Euro 0.7 million due to the reduction in overhead costs and the rationalization of production costs.

The Gross operating margin went from Euro 3.8 million in HY 2015 to Euro 8.0 million in HY1 2016, an increase of Euro 4.2 million; the increase of 112% was mainly due to the higher volume of revenues in the period.

In light of the foregoing, operating profit after amortisation, depreciation, impairment and provisions (Euro 2.7 million, compared to Euro 2.6 million in the corresponding period of 2015) is positive for Euro 5.3 million, compared to Euro 1.2 million in the corresponding period of 2015.

There were net financial expenses of Euro 0.2 thousand in the half year compared to net financial income of Euro 0.1 million in HY1 2015.

The net profit for the period quadrupled to Euro 3.4 million compared to Euro 0.8 million in the first half of 2015.

The net financial position improved, also as a result of the GEM Global Yield Fund Limited LCS SCS and GEM Investments America LLC transaction described in the following paragraphs (in particular among the significant events of the first half of 2016), from cash of Euro 0.1 million at 31 December 2015 to cash of Euro 0.7 million at 30 June 2016.

Group equity went from Euro 39.1 million at 31 December 2015 to Euro 46.2 million at 30 June 2016 mainly due to the GEM transaction and the positive result for the HY. For further details, reference is made to the related section of the notes.

## 1.2 DESCRIPTION OF THE COMPANY’S OPERATING CONDITIONS

The Group has historically been operating in the business of producing and marketing television series and full-length animated movies. For more than five years now, the Company has been focusing on sectors related with its core business, chief among them, especially in perspective, the licensing and exploitation of its rights for merchandising purposes.

The reference economic context was stagnant in HY1 2016, like in 2015. The weak advertising revenue has adversely affected the volume of new investments by general televisions, while on the other hand, there was growth in thematic televisions. The difficult situation did not prevent the Group from achieving revenues in the period, mainly due to the growth in production revenues, in addition to revenues from the sale of the *“Old Library”*, the sale of new products and the development of licensing.

Here below is a brief description of the business of the Parent and of the main companies of the Mondo TV Group, as well as of the relevant strategic missions:

- the Parent **Mondo TV S.p.A.** emphasised its vocation as a ‘strongbox’, dedicated to the creation and, to a lesser extent, the acquisition of rights on the market that could be exploited in both the television sector and in the diversified field of ancillary and related rights.

- **Mondo TV France S.A.** produces and coproduces animated television series for French broadcasters and, from a strategic point of view, allows the Mondo TV Group to expand its operations to France and French-speaking countries. The share capital held by Mondo TV S.p.A. as at 30 June 2016 is approximately 40.07% (it is recalled that the shares of Mondo TV France S.A. are traded on AIM Italia/Alternative Capital Market).

- The purpose of **Mondo TV Iberoamerica S.A**. **(formerly Mondo TV Spain S.L.)** is the distribution and co-production of live series for teenagers and, residually, the sale of the Group's Library television rights in Spain, Portugal and South America. The portion of share capital held by Mondo TV S.p.A. as at 30 June 2016 is 100%.

- **Mondo TV Suisse S.A.** realises productions and co-productions of animated television series for clients in the USA, the Middle East, Asia and Russia. The share capital held by Mondo TV S.p.A. as at 30 June 2016 is approximately 67.48% (it is recalled that the shares of Mondo TV Suisse S.A. are traded on AIM Italia/Alternative Capital Market).

- **Mondo TV Toys S.A.,** incorporated by the Parent Company in HY1 2016, is active in the production, realisation, development, marketing of toys and accessories. The portion of share capital held by Mondo TV S.p.A. as at 30 June 2016 is 100%.

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

| **The Mondo TV Group** | |
|---|---|
| **Company** | **Sectors** |
| Mondo TV S.p.A. | Production and distribution of animated series, Licensing |
| Mondo France S.A. | Production of animated series |
| Mondo TV Iberoamerica S.A. | Production and distribution of live series |
| Mondo TV Suisse S.A. | Production and distribution of animated series, Licensing |
| Mondo TV Toys S.A. | Production and distribution of toys |

The television distribution business consists in the selling and/or licensing of television rights relating to the series and full-length animated movies in the Group's Library.
The main buyers are coproducers, distributors, and over-the-air, cable, and satellite TV broadcasters, either public or private, in Italy and abroad.

Demand, both domestic and international, appears to be characterised by a considerable absorption capacity for quality products such as those offered by the Mondo TV Group. Furthermore, the development of new technologies in the multimedia communication field opens new and interesting markets and/or market niches for the Group.

The Group carries out production on its own behalf or, as customary in this business, in partnership with third-party companies that participate in production, bearing part of the costs and/or organisational and production expenses, while the Group is responsible for creative development and governs, de facto, the entire production process.

Production is carried out under the direction and supervision of the Group's management, which uses, in whole or in part and as per standard industry practice, external artists, screenwriters and directors as well as animation studios entrusted with the production of the series and of the full-length animated movies. In short, the steps in producing a television series are as follows:

**Pre-production** Story and characters
Screenplay
Basic drawings

| | |
|---|---|
| | Storyboard |
| **Production** | Drawings |
| | Direction |
| **Post-production** | Editing and modifications |
| | Final editing |
| | Dialogue track and sound track |
| | Synchronisation and mixing |

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

The cornerstones of the new strategic plan are the production of high quality and marketable titles, with potential for exploitation through licensing and merchandising.

## 1.3 PRODUCTIONS IN THE HY AND MAIN ACQUISITIONS

### 1.3.1 INVESTMENTS IN LIBRARY

In HY1 2016, the typical production activity of the Parent Company Mondo TV continued as well as the acquisition by other Group companies; in particular, the most significant investments concern the production of the animated series Invention Story, Beastkeepers, Partidei and Duckport by the Parent Company and the live teen series Heidi by the subsidiary Mondo TV Iberoamerica.

| **Investments in Library (Euro thousands)** | | |
|---|---|---|
| **Category** | **30.06.2016** | **30.06.2015** |
| Animated series | 6,843 | 3,034 |
| Live movies | 1,078 | - |
| ***Sub-total of investments in new productions*** | ***7,921*** | ***3,034*** |
| Temporary licenses – animation | 395 | 299 |
| Temporary licenses – live | 493 | - |
| **TOTAL** | **8,809** | **3,333** |

### 1.3.2 ACQUISITION AND ESTABLISHMENT OF NEW COMPANIES

In January 2016, the Parent Mondo TV S.p.A. established Mondo TV Toys S.A., based in Lugano and with share capital of CHF 100,000, which will be active in the Toys sector. As at 30 June 2016, the Parent Company held 100% of the share capital of the subsidiary.

### 1.3.3 SIGNIFICANT EVENTS IN HY1 2016

With a sentence published on 18 December 2015, the Parent Mondo TV S.p.A., Orlando Corradi and Matteo Corradi were sentenced by the Court of Milan to pay a total amount of Euro 2 million, plus interest and costs, for a total of Euro 2.4 million by way of damages, against a total request of the plaintiffs amounting to Euro 30 million.
On 2 February 2016, a settlement agreement was signed, which envisages a total amount by way of compensation by Mondo TV S.p.A., Orlando Corradi and Matteo Corradi amounting to Euro 2,050 thousand, with a discount therefore of about Euro 350 thousand with respect to the first instance sentence and with reciprocal waiver of appeal.

The overall expense for Mondo TV S.p.A. is equal to a third of the amount transacted, and thus about Euro 685 thousand, which was fully allocated to the provision for risks and charges as at 31 December 2015.

On 22 February 2016, the Parent Mondo TV S.p.A. signed an investment agreement with GEM Global Yield Fund Limited LCS SCS and GEM Investments America LLC, which provides a reserved capital increase, with the exclusion of option rights, for a maximum of Euro 35 million, through the use of a Share Subscription Facility.
Mondo TV also issued a global warrant, exercisable within three years of issue, in favour of GEM for the subscription of 500,000 Mondo TV shares at the price of Euro 6.50 per share, 1,500,000 Mondo TV shares at the price of Euro 8.00 per share and 500,000 Mondo TV shares at the price of Euro 10 per share, for a total value of Euro 20.25 million.
On 9 March 2016, the Board of Directors of Mondo TV sent the first subscription request related to the investment agreement with GEM; following the first request, in April, GEM subscribed 1,226,339 shares for a total amount of approximately Euro 5 million, net of commissions.

In April, the subsidiary Mondo TV Iberoamerica concluded an agreement with Alianzas Producciones S.A., a company based in Buenos Aires and already a producer of successes such as Chica Vampiro, Il Mondo di Patti and Yo soy Franky, for the coproduction of a new live teen series. The new project, with the provisional title “Heidi, benvenuta a casa”, will consist of 60 episodes of 45 minutes each and will be a modern adaptation of the famous story related to the character “Heidi”.
Mondo TV Iberoamerica will participate in coproduction with a budget contribution of USD 2,930 thousand, acquiring 60% of the copyright on the work, while the partner will deal with the realisation phase as executive producer. Mondo TV Iberoamerica will deal with the distribution of the program around the world with the exclusion of the territories of Argentina, Chile, Paraguay and Uruguay with a variable commission depending on whether there is a direct sale or through sub-distributor.

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

In May, a contract was signed for the realisation of two new animation projects in Asia; the contract envisages the production by Nada Holdings, a company based in Taipei (Taiwan), of two television animation series, on behalf of and in the interest of Mondo TV. One project, with the provisional title “Final Fight”, will consist of 26 episodes of 22 minutes each, while the other project with the provisional title “Naraka” will consist of 52 episodes of 11 minutes each. The two projects must be completed by 31 December 2018. Mondo TV has determined the production budget of USD 6 million per project, which will be paid to Nada Holdings during production.

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

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

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

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

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

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

## 1.4 INFORMATION ON SHAREHOLDERS AND THE SHARE PRICE

The breakdown of shareholders at the date of approval of the 2016 half-year consolidated financial report is as follows:

| Largest shareholders | | |
|---|---|---|
| | **no. of shares** | **%** |
| Orlando Corradi | 12,082,100 | 43.69% |
| Yin Wei | 2,642,441 | 9.56% |
| **Sub-total** | **14,724,541** | **53.25%** |
| Other shareholders | 12,926,626 | 46.75% |
| | **27,651,167** | **100.00%** |

The issuer is unaware of the existence of shareholders' agreements as described in art. 122 of the Consolidated Finance Act; the Shareholders' Meeting did not delegate any powers to increase the share capital, issue bonds, or purchase treasury shares.
No agreements exist between the companies and the directors regarding any severance pay for the corporate bodies in case of resignation or dismissal without just cause or termination of employment following a takeover bid.

The share price trend has been very satisfactory over the period, rising from Euro 1.7 on 1 January 2015 to around Euro 4.45 on 27 September 2016, more than doubling its value.

## 1.5 HIGHLIGHTS

Reported below are the equity, financial and economic figures of the Mondo TV Group reclassified and compared with the figures of the previous year in the case of equity-financial figures and the previous period for economic figures.

| Reclassified condensed consolidated statement of financial position | | |
|---|---|---|
| *(Euro thousands)* | **30.06.2016** | **31.12.2015** |
| **Non-current fixed assets** | **30,023** | **24,712** |
| Current assets | 29,133 | 29,340 |
| Current liabilities | (11,840) | (13,168) |
| **Net working capital** | **17,293** | **16,172** |
| **Non-current liabilities** | **(542)** | **(509)** |
| **Invested capital** | **46,774** | **40,375** |
| Net financial position | 728 | 106 |

| | | |
|---|---|---|
| **Shareholders' equity** | **47,502** | **40,481** |
| Non-controlling interests | 1,271 | 1,387 |
| **Equity attributable to owners of the Parent** | **46,231** | **39,094** |

| Reclassified condensed consolidated income statement | | |
|---|---|---|
| *(Euro thousands)* | **HY1 2016** | **HY1 2015** |
| **Revenues** | 11,507 | 7,645 |
| **Capitalisation of internally produced animated series** | 617 | 907 |
| **Operating costs** | (4,172) | (4,795) |
| **EBITDA** | **7,952** | **3,757** |
| Amortisation and depreciation, impairment, and provisions | (2,692) | (2,568) |
| **EBIT** | **5,260** | **1,189** |
| Net finance income (expenses) | (217) | 72 |
| **Profit (loss) of the period before tax** | **5,043** | **1,261** |
| Income tax expense | (1,723) | (460) |
| **Net profit (loss) for the period** | **3,320** | **801** |
| Profit (loss) for the year attributable to non-controlling interests | (116) | 50 |
| **Profit (loss) attributable to owners of the Parent** | **3,436** | **751** |

**Consolidated net financial position**

| *(Euro thousands)* | **30.06.2016** | **31.12.2015** |
|---|---|---|
| Cash and cash equivalents | 3,387 | 2,869 |
| Current financial payables due to banks | (2,328) | (2,529) |
| Current payables due to COFILOISIR | - | (324) |
| **Net current financial position** | **1,059** | **16** |
| Non-current payables due to banks | (638) | (217) |
| **Net non-current financial position** | **(638)** | **(217)** |
| **Net financial debt as per comm. Consob DEM/6064293** | **421** | **(201)** |
| Non-current receivables due from third parties | 307 | 307 |
| **Consolidated net financial position** | **728** | **106** |

**Key financial ratios**

| | **HY1 2016** | **HY1 2015** |
|---|---|---|
| ROI (EBIT/invested capital) | 11.25% | 3.21% |
| ROS (EBIT/revenues) | 45.71% | 15.55% |
| ROE (profit for the year/equity) | 7.43% | 2.17% |
| Equity to non-current assets ratio (cons. equity+equity/NCA) | 1.60 | 1.79 |
| NFP/equity | -0.02 | 0.03 |

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

**Current assets:** the sum of trade receivables, tax assets, and other assets.
**Current liabilities:** the sum of trade payables, tax liabilities, and other short-term liabilities and provisions.
**Non-current liabilities:** the sum of provisions for risks and charges, deferred tax liabilities, and post-employment benefits.
**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 and other revenues.
**Operating costs:** the sum of raw materials, consumables and goods, 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.
**Short-term financial payables and Short-term payables to shareholders:** these two items are shown as an aggregate in the statutory financial statements; their composition is detailed in note 12.
**Long-term financial payables and Long-term payables to shareholders:** these two items are shown as an aggregate in the statutory financial statements; their composition is detailed in note 12.

The above figures and ratios show an improvement in the equity, financial and economic operations in HY1 2016 compared to 2015.

## 1.6 INFORMATION ON MAIN RISKS AND UNCERTAINTIES

In conformity with article 154-ter, paragraph 4, of the Consolidated Finance Act, it should be noted that the main risks associated with the Company's business that could affect its outlook are as follows:

### 1.6.1 FINANCIAL RISKS

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

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

**Credit risk**

Credit risk represents the Group companies' exposure to potential losses arising from the non-fulfilment of the obligations assumed by the counterparties.
During the period, the Group adopted appropriate procedures, such as the verification of debtors' solvency, to minimise the exposure to this risk.
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
If significant, the positions, for which a risk of partial or total non-collectability is noted, are subject to individual impairment.
A provision is set aside on a collective basis for the receivables that are not subject to individual impairment, taking into account past experience and statistical data.

**Liquidity risk**

Liquidity risk represents the risk that the financial resources might not be available or may be available at a cost so high that profit (loss) for the year may be affected.
This risk, compared to the previous year, was significantly decreased with the GEM capital increase transaction defined during the first half of the year and with the issue of the Atlas convertible bond finalised in the third quarter of 2016 (for this transaction, please refer to the section "Significant events after HY end").
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**Exchange rate risk**

The Parent Company and its subsidiaries carry out purchase and sale transactions in currencies other than the Euro and, in particular, in US dollars. The Group therefore has an exposure arising from currency transactions (US Dollars).
The Group considers this risk to be substantially balanced, as the volume of purchases in dollars is balanced by sales in dollars and therefore, no significant risks emerge from currency management.

**Interest-rate risk**

The interest rate fluctuations influence the cash flows, the market value of the company's financial assets and liabilities, and the level of the net finance income (expenses).
The Group's loans are at floating rates, in particular the Euribor plus a variable spread from 1.5% as regards Mondo France S.A. and up to Euribor +7% for some of the Parent's marginal lines.
Considering its financial exposure, the Group is subject to interest rate risk to a moderate extent. Significant changes in the interest rate could influence the cost of floating-rate loans.
In view of the financial exposure subject to interest rate risk, in the financial statements ended 31 December 2015, a sensitivity analysis was carried out, which allowed the quantification, all other conditions being equal, of the impact that a hypothetical 1% change in Euribor would have had on the FY result: this analysis showed a marginal impact. Based on these considerations, it was not deemed necessary to update the analysis.

**Other information**

The carrying amount of short-term financial assets and liabilities is a reasonable approximation of the fair value and therefore it was unnecessary to measure the fair value.

Information on the volume and detail of revenues, costs, profits or losses generated by the financial instruments is provided in the table of financial expenses and income while information relating to the Group's net financial position is reported in the paragraph "Highlights" above.

### 1.6.2 RISKS ASSOCIATED WITH DEPENDENCY ON KEY MANAGERS

Some members of the Corradi family and Eve Baron Charlton, CEO of Mondo TV France S.A., whose revenues have a significant impact on total Group revenues, have strategic importance for the Group. The possible lack of their professional contribution could undermine the competitiveness of the Mondo TV Group and have negative repercussions on the economic, capital and financial situation.

In fact, some members of the Corradi family have a significant role in the management of the business of the company Mondo TV S.p.A. and in the development of its products.

Eve Baron Charlton has a key role within Mondo TV France's operations, as she is a highly professional manager with a proven track record as an executive at national French TV broadcasters. The wealth of experience acquired in the television business, as well as the broad network of contacts she developed in this industry, has allowed and still allows Mondo TV France to produce TV animated series with an educational and informative content, as well as a high level of quality, thus helping to broaden the Mondo TV Group's product offerings.

Neither the members of the Corradi family nor Eve Baron have entered into sole-agency or non-compete agreements with the Group's companies.

### 1.6.3 RISKS ASSOCIATED WITH THE COMMERCIAL EXPLOITATION OF INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES

The Group's revenue may be influenced by factors, independent of the Group companies, that affect the availability and the commercial exploitation of third-parties' property, the subject of the series. Should these factors occur, they could cause earnings expectations to be revised down, negatively affecting the Group's performance, financial position and cash flows.

### 1.6.4 RISKS ASSOCIATED WITH DISPUTES

The Parent Company is currently involved in two disputes, while the subsidiaries are not involved in any disputes.

As regards the dispute against Clan Celentano S.r.l., which convened Mondo TV S.p.A. before the Court of Milan in relation to alleged breaches and termination of a contract stipulated between the parties for the realisation of a TV cartoon series with the provisional title "Adrian", Mondo TV S.p.A. appeared as a defendant and challenged all of the plaintiff's claims. It filed a counterclaim for an overall amount of Euro 1,887 thousand.

On 16 April 2013, the expert witness (CTU) was appointed, whose technical report was filed at the end of 2013; the outcome is substantially unfavourable with regard to the claim for compensation formulated by Mondo TV S.p.A.

At the hearing on 13 May 2014, Clan Celentano S.r.l. reported to have found an agreement with Sky, on whose channels the series was to be aired, in order to interrupt the contract between Sky and Clan Celentano, and requested to produce copy of said agreement.

Mondo TV opposed and the Court reserved a decision adjourning the proceedings to the hearing of 11 November 2014. At that hearing, the Judge admitted the filing of the transaction and adjourned the proceedings for final judgement to 16 February 2016.

Said hearing was adjourned for the same incumbents until 19 July 2016.

At the hearing on 19 July 2016, both parties specified their respective conclusions.

Clan Celentano S.r.l. quantified for the first time the amount of its claims, which include, inter alia, the reimbursement of the amount already paid to Mondo TV, or Euro 500 thousand, taking into account the Euro 250 thousand of the surety already collected, as well as damages to be paid of not less than Euro 14 million.

As regards the quantification of the damage formulated by the adversary, pleaded is its lateness and demonstrability and the existence of the contractual limitation that provides, for any damages of any kind (whether of emerging damage or of loss of profit) caused, the limit of the amount equal to the amount received in payment/paid during the execution of the contract, increased by 50% (fifty percent).

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

Given that the risk of losing the case is only “possible”, no provision has been made in relation to this dispute.

The second dispute was against Pegasus Distribuzione S.r.l., which requested the condemnation of the company, to pay a total amount of Euro 463 thousand for reimbursement of costs incurred for the purchase of products in relation to two sale contracts, and reimbursement for the loss of earnings, which can be set between a minimum of Euro 101 thousand and a maximum of Euro 169 thousand, in addition to damages for reputational harm. With the first-instance ruling on 21 January 2010, the Court of Rome rejected the petition of Pegasus Distribuzione S.r.l., which challenged the aforementioned ruling. The proceedings were adjourned to 23 April 2014: no one appeared at said hearing and the proceedings were further adjourned to 23 November 2016. At present, the risk of losing is believed to be remote.

### 1.6.5 RISKS ASSOCIATED WITH THE FISCAL POSITION OF THE PARENT COMPANY

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

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

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

- The second notice of assessment, also notified on 9 October 2015, refers to IRAP and VAT for the year 2010. The higher IRAP ascertained is equal to Euro 0.2 million plus interest, while the higher VAT ascertained is equal to approximately Euro 0.8 million plus interest. The penalties amount to approximately Euro 1.2 million.
  The company filed an appeal against the notice of assessment on 2 December 2015, filing at the Provincial Tax Commission of Rome on 23 December 2015 and contesting both for IRAP purposes the main finding consisting in the non-declaration of positive components for about Euro 4 million and for VAT purposes the non-declaration, invoicing and recording of taxable transactions for about Euro 4 million. In consideration of the lack of any basis in the judgement of the findings contained in the Formal Notice of Assessment (PVC) of the Guardia di Finanza as reported slavishly by the Revenue Agency in the Notice of Assessment, the Directors, also comforted by the judgement of specially appointed consultants, deem scarcely likely that the company may succumb in this dispute, the residual value of which is around Euro 2.2 million and therefore, consistent with the assessments made in the annual financial report as at 31 December 2015, no provision was made in the half-year report as at 30 June 2016.

## 1.7 HUMAN RESOURCES AND RESEARCH AND DEVELOPMENT ACTIVITIES

As at 30 June 2016, the Group had 32 employees, of which 3 executives, 29 white-collar workers and middle managers, compared with 31 employees as at 31 December 2015. The breakdown of employees by company is as follows: Mondo TV S.p.A. 25 employees, Mondo TV France S.A. 4 employees, Mondo TV Suisse 2 employees and Mondo TV Iberoamerica 1 employee. The Group has a moderate turnover rate.

No serious work accidents occurred and no charges for occupational illness or mobbing were reported in any company of the Group during the HY.

## 1.8 SIGNIFICANT EVENTS AFTER HY END

To date, there have been no events after 30 June 2016 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the financial statements.

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

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

The Contract also envisaged the issue, in favour of Atlas, of a warrant for the subscription in the period 1 April 2018 and 1 April 2021, of 215,000 Mondo TV shares at the price of Euro 6.50 per share, 640,000 Mondo TV shares at the price of Euro 8.00 per share and 215,000 Mondo TV shares at the price of Euro 10 per share, for a total value of Euro 8,667.5 thousand.
In September, the company requested the issue of the first bond tranche for a total amount of about Euro 4.0 million, net of commissions.

The subsidiary Mondo TV Iberoamerica has started the process of listing on the MAB Iberian market organised and managed by the Madrid Stock Exchange, which is expected to lead to the listing of the shares by the end of 2016.

## 1.9 RELATED-PARTY TRANSACTIONS

### 1.9.1 RELATED PARTIES

The Mondo TV Group engages in transactions with related parties, the complete list of which is reported in Annex 3.5. These transactions are at arm’s length and have three different origins:

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

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

| *(Euro thousands)* | **Receivables as at 30.06.2016** | **Cost HY1 2016** | **Payables at 30.06.2016** | **Nature of the transactions** |
|---|---|---|---|---|
| **Remuneration of directors, executives and consultants** | | | | |
| Orlando Corradi | 0 | 40 | 2 | Director |
| Matteo Corradi | 2 | 79 | 0 | Director |
| Monica Corradi | 0 | 42 | 0 | Director |
| Francesco Figliuzzi | 0 | 9 | 6 | Independent Director |
| Marina Martinelli | 0 | 7 | 4 | Independent Director |
| Carlo Marchetti | 0 | 59 | 5 | Director |
| Riccardo Corradi | 60 | 0 | 0 | Consultant |
| **Total** | **62** | **235** | **17** | |
| **Real-estate and service companies** | | | | |
| Trilateral land Srl | 0 | 196 | 85 | Office leasing |
| **Total** | **62** | **431** | **102** | |

Below is a brief description of relationships with Directors and Key Managers within the Company and other related parties:

Orlando Corradi is the largest shareholder and Chair of the Board of Directors of Mondo TV S.p.A.

Orlando Corradi has always followed the creative part in the production of animated series and for some series he acts as director; during the six-month period, directing fees were paid, recorded under intangible assets - rights for animated series, for a total amount of Euro 150 thousand, of which Euro 75 thousand relating to the animated series Drakers and Euro 75 thousand relating to the animated series Sissi la giovane Imperatrice.

Matteo Corradi is CEO of Mondo TV S.p.A., Board Director of Mondo TV Iberoamerica, Chair of the Board of Directors of Mondo TV France, Non-Executive Board Director of Mondo TV Suisse.

Carlo Marchetti is Board Director and Head of Financial Reporting, and is also Board Director of Mondo TV France and Mondo TV Toys.

Monica Corradi is Board Director of Mondo TV S.p.A. and also carries out specific assignments on behalf of the Board of Directors.

Francesco Figliuzzi and Marina Martinelli are Independent Board Directors and members of the internal control committees, the supervisory body and the appointments committee of Mondo TV S.p.A.

Riccardo Corradi, Orlando Corradi's son, has a commercial consulting assignment with the parent company Mondo TV S.p.A.

Trilateral Land S.r.l. leases some offices to Mondo TV S.p.A. and has as its Sole Director Matteo Corradi.

Paragraph 2.6 "Consolidated financial statements providing related party disclosures pursuant to CONSOB resolution 15519 of 28/07/2006" includes the consolidated financial statements prepared in accordance with the CONSOB resolution showing transactions with related parties and the relative impact on the various items of the condensed half-year consolidated financial statements.

### 1.9.2 INTRAGROUP TRANSACTIONS

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

All transactions between the various companies of the Group were at arm's length, involved specific governance procedures for the related implementation resolution and were derecognized as part of the consolidation procedure in accordance with the ordinary accounting rules.

Below is a brief description of transactions within the Mondo TV Group and derecognized in the half-year consolidated financial report as at 30 June 2016.

**Transactions between the Parent and Mondo Iberoamerica**

Mondo TV Iberoamerica distributes the library of Mondo TV S.p.A. in Spain and South America and acquires live fiction for subsequent sale via Mondo TV S.p.A. in Italy. There were no significant transactions during the period.

**Transactions between the Parent and Mondo TV Suisse S.A.**

Transactions between the Parent Company and the subsidiary mainly refer to the costs charged by the Parent Company in relation to the production of the animated series acquired by the subsidiary, the executive production of which was entrusted to the Parent Company under a framework agreement signed between the parties in early 2015 for the provision of services related to the production of audiovisual animation programs.
In particular, the framework contract relates to the allocation of productions between Mondo TV Suisse S.A. and the Parent Company, in order to assign the latter the task of carrying out the processing phases of productions entrusted to Mondo TV Suisse S.A. by its customers. The processing phases may include all or some of the pre-production, executive production and post-production processing as normally meant in the animation industry.
The framework contract has a duration of 12 months and is automatically renewed at each expiration date.
The fee for the execution of the services and provisions provided for in the framework agreement is equal to the amount entrusted by its customers to Mondo TV Suisse S.A. reduced by 15%. All costs and expenses incurred in relation to the realization of the productions are the responsibility of the Parent Company.

**Transactions between the Parent and Mondo TV France**

Mondo TV S.p.A. distributes the library of Mondo TV France in certain territories, such as Africa and the Middle East.

## 1.10 STATEMENT OF RECONCILIATION OF CONSOLIDATED EQUITY WITH THE FIGURES OF THE PARENT COMPANY

The reconciliation of the Parent's period result and equity as at 30 June 2016 and that of the Group equity as at the same date is summarised in the table below:

| *(Euro thousands)* | Income Statement | Shareholders' equity |
|---|---|---|
| **Mondo TV S.p.A. Separate Financial Statements** | **3,313** | **45,884** |
| Individual data of the subsidiaries | 7 | 3,238 |
| Eliminations of the carrying amount of net equity investments | 0 | (991) |
| Elimination of capitalised intra-group revenues | 0 | (628) |
| Attribution of subsidiaries' equity to non-controlling interests | 116 | (1,271) |
| **Consolidated Financial Statements** | **3,436** | **46,231** |

## 1.11 BUSINESS OUTLOOK

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

In particular, with the establishment of Mondo TV Suisse, the acquisition of productions from non-European clients was given a significant boost, such as those with Abu Dhabi Media in the United Arab Emirates, with the Korean company Aurora Toys and with other international clients, in addition to the Group's long-time clients such as the Preziosi Group and Rai. The strengthening and internationalisation of the sales and distribution force also continued. The recent sale in China of the historic Mondo TV library is evidence of the commercial evolution of the group and confirms the sustainability of the growth rates forecast in the Business Plan.

# CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

## FINANCIAL STATEMENTS AND NOTES

## 2. FINANCIAL STATEMENTS AND NOTES

### 2.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30.06.2016

**Statement of financial position**

| (Euro thousands) | Ref. Ch.2.8 | 30.06.2016 | 31.12.2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| *- Intangible rights* | 5 | *22,537* | *16,116* |
| *- Other intangible assets* | 5 | *32* | *33* |
| Intangible assets | 5 | 22,569 | 16,149 |
| Tangible assets | 5 | 307 | 336 |
| Equity investments | | 20 | 20 |
| Deferred tax assets | 6 | 6,970 | 8,054 |
| Receivables | 7 | 464 | 461 |
| | | **30,330** | **25,020** |
| **Current assets** | | | |
| Trade receivables | 7 | 23,010 | 22,292 |
| Tax assets | 6 | 5,717 | 6,694 |
| Other assets | 8 | 405 | 353 |
| Cash and cash equivalents | 9 | 3,387 | 2,869 |
| | | **32,519** | **32,208** |
| **Total assets** | | **62,849** | **57,228** |
| **LIABILITIES** | | | |
| **Equity** | | | |
| *- Share capital* | | *13,825* | *13,212* |
| *- Share premium provision* | | *17,250* | *12,563* |
| *- Legal reserve* | | *2,642* | *2,642* |
| *- Other reserves* | | *8,612* | *8,593* |
| *- Retained earnings (losses)* | | *466* | *(1,007)* |
| *- Profit (loss) for the period* | | *3,436* | *3,090* |
| Equity attributable to owners of the Parent | | 46,231 | 39,093 |
| Non-controlling interests | | 1,272 | 1,388 |
| **Total equity** | 10 | **47,503** | **40,481** |
| **Non-current liabilities** | | | |
| Provision for post-employment benefits | 11 | 378 | 346 |
| Provisions for risks and charges | 11 | 23 | 23 |
| Deferred tax liabilities | 6 | 141 | 141 |
| Financial payables | 12 | 638 | 217 |
| | | **1,180** | **727** |
| **Current liabilities** | | | |
| Provisions for risks and charges | 11 | 32 | 717 |
| Trade payables | 12 | 8,532 | 10,881 |
| Financial payables | 12 | 2,328 | 2,853 |
| Tax liabilities | 6 | 180 | 73 |
| Other liabilities | 13 | 3,094 | 1,496 |
| | | **14,166** | **16,020** |
| **Total liabilities** | | **15,346** | **16,747** |
| **Total liabilities + equity** | | **62,849** | **57,228** |

## 2.2 HY CONSOLIDATED INCOME STATEMENT

| Separate income statement | | | |
|---|---|---|---|
| *(Euro thousands)* | **Ref. Ch. 2.8** | **HY1 2016** | **HY1 2015** |
| Revenue from sales and services | 17 | 11,428 | 6,487 |
| Other income | 18 | 79 | 1,158 |
| Capitalisation of internally produced animated series | 19 | 617 | 907 |
| Raw materials, consumables and goods | 20 | (49) | (42) |
| Personnel costs | 21 | (1,099) | (1,050) |
| Amortisation and impairment of intangible assets | 22 | (2,394) | (2,355) |
| Depreciation and impairment of tangible assets | 22 | (66) | (63) |
| Allowance for doubtful debts | 7 | (233) | (150) |
| Other operating costs | 23 | (3,024) | (3,703) |
| **EBIT** | | **5,259** | **1,189** |
| **Financial income** | 24 | 101 | 305 |
| **Financial expenses** | 24 | (317) | (233) |
| **Profit (loss) of the period before tax** | | **5,043** | **1,261** |
| Income tax expense | 25 | (1,723) | (460) |
| **Net profit for the period** | | **3,320** | **801** |
| Profit (loss) for the year attributable to non-controlling interests | | (116) | 50 |
| **Profit (loss) attributable to owners of the Parent** | | **3,436** | **751** |
| | | | |
| **Earnings per share (basic and diluted)** | | **0.13** | **0.03** |

## 2.3 CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

| Statement of comprehensive income | | |
|---|---|---|
| *(Euro thousands)* | **HY1 2016** | **HY1 2015** |
| Net profit (loss) for the year | 3,320 | 801 |
| Other profits (losses) recognized in equity | - | - |
| **Total net profit** | **3,320** | **801** |
| Total profit (loss) attributable to non-controlling interests | (116) | 50 |
| **Total profit (loss) attributable to the Group** | **3,436** | **751** |

## 2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**Changes in equity HY1 2015**

| (Euro thousands) | Share capital | Legal reserve | Retained earnings (losses) | Share premium provision | Other reserves | Profit (loss) for the period | Attributable to owners of the Parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Consolidated Financial Statements as at 31.12.2014** | **13,212** | **2,643** | **(2,725)** | **13,599** | **1,709** | **1,718** | **30,155** | **984** | **31,139** |
| *Transactions with shareholders recognised in equity:* | | | | | | | | | |
| Dividend distribution as Mondo Suisse shares | | | | (15) | | | (15) | | (15) |
| *Items of comprehensive income for the year:* | | | | | | | - | | - |
| Shareholders' Meeting of 01 March 2015 | | | - | (1,021) | 1,021 | | - | | - |
| Disposal of shares of subsidiaries | | | | | 3,697 | | 3,697 | 251 | 3,948 |
| Translation effect Mondo TV Suisse | | | | | 30 | | 30 | 8 | 38 |
| Allocation of profit (loss) for the year 2014 | | | 1,718 | | | (1,718) | - | | - |
| Result for the period | | | | | | 751 | 751 | 50 | 801 |
| **Consolidated Financial Statements as at 30.06.2015** | **13,212** | **2,643** | **(1,007)** | **12,563** | **6,457** | **751** | **34,618** | **1,293** | **35,911** |

**Changes in equity HY1 2016**

| (Euro thousands) | Share capital | Legal reserve | Retained earnings (losses) | Share premium provision | Other reserves | Profit for the period | Attributable to owners of the Parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Consolidated Financial Statements as at 31.12.2015** | **13,212** | **2,642** | **(1007)** | **12,563** | **8,593** | **3,090** | **39,093** | **1,388** | **40,481** |
| *Transactions with shareholders recognised in equity:* | | | | | | | | | |
| GEM capital increase | 613 | | | 4,687 | (638) | | 4,662 | | 4,662 |
| Dividend distribution | | | (1,106) | | | | (1,106) | | (1,106) |
| *Items of comprehensive income for the year:* | | | | | | | - | | - |
| Other changes | | | - | | 2 | | 2 | | 2 |
| Disposal of shares of subsidiaries | | | | | 145 | | 145 | | 145 |
| Translation effect Mondo TV Suisse | | | | | (1) | | (1) | | (1) |
| Allocation of profit (loss) for the year 2015 | | | 2,579 | | 511 | (3,090) | - | | - |
| Result for the period | | | | | | 3,436 | 3,436 | (116) | 3,320 |
| **Consolidated Financial Statements as at 30.06.2016** | **13,825** | **2,642** | **466** | **17,250** | **8,612** | **3,436** | **46,231** | **1,272** | **47,503** |

For further information on Group equity, reference should be made to note 13.

## 2.5 CONSOLIDATED STATEMENT OF CASH FLOWS

| Consolidated cash flow statement | | |
|---|---|---|
| **(Euro thousands)** | **HY1 2016** | **HY1 2015** |
| **A. OPENING CASH AND CASH EQUIVALENTS** | **2,869** | **423** |
| Group profit (loss) of the period | 3,436 | 751 |
| Profit (loss) for the year attributable to non-controlling interests | (116) | 50 |
| Total profit (loss) of the period | 3,320 | 801 |
| Depreciation, amortisation and impairment | 2,693 | 2,568 |
| Net change in provisions | (653) | (13) |
| **Cash flow from (used in) operating activities before changes in working capital** | **5,360** | **3,356** |
| (Increase) decrease in trade receivables | (954) | (2,155) |
| (Increase) decrease in tax assets | 2,061 | 1,065 |
| (Increase) decrease in other assets | (52) | 67 |
| Increase (decrease) in trade payables | (2,349) | (553) |
| Increase (decrease) in tax liabilities | 107 | (2) |
| Increase (decrease) in other liabilities | 1,598 | 80 |
| **B. NET CASH FROM (USED IN) OPERATING ACTIVITIES** | **5,771** | **1,858** |
| (Acquisition) / Disposal of | | |
| - Intangible assets | (8,814) | (3,339) |
| - Tangible assets | (37) | (129) |
| **C. NET CASH FROM (USED IN) INVESTING ACTIVITIES** | **(8,851)** | **(3,468)** |
| Changes in capital | 3,702 | 3,971 |
| Increase (decrease) in financial payables | (32) | (430) |
| Interest paid | (72) | (117) |
| **D. NET CASH FROM (USED IN) FINANCING ACTIVITIES** | **3,598** | **3,424** |
| **E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)** | **518** | **1,814** |
| **F. CLOSING CASH AND CASH EQUIVALENTS** | **3,387** | **2,237** |

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

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

**Consolidated statement of financial position**

| (Euro thousands) | **30.06.2016** | **related parties** | **31.12.2015** | **related parties** |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| *- Intangible rights* | *22,537* | | *16,116* | |
| *- Other intangible assets* | *32* | | *33* | |
| Intangible assets | 22,569 | | 16,149 | |
| Tangible assets | 307 | | 336 | |
| Equity investments | 20 | | 20 | |
| Deferred tax assets | 6,970 | | 8,054 | |
| Receivables | 464 | | 461 | |
| | **30,330** | | **25,020** | |
| **Current assets** | | | | |
| Trade receivables | 23,010 | 62 | 22,292 | 171 |
| Tax assets | 5,717 | | 6,694 | |
| Other assets | 405 | | 353 | |
| Cash and cash equivalents | 3,387 | | 2,869 | |
| | **32,519** | | **32,208** | |
| **Total assets** | **62,849** | | **57,228** | |
| **Non-current liabilities** | | | | |
| Provision for post-employment benefits | 378 | | 346 | |
| Provisions for risks and charges | 23 | | 23 | |
| Deferred tax liabilities | 141 | | 141 | |
| Financial payables | 648 | | 217 | |
| | **1,180** | | **727** | |
| **Current liabilities** | | | | |
| Provisions for risks and charges | 32 | | 717 | |
| Trade payables | 8,532 | 102 | 10,881 | 226 |
| Financial payables | 2,328 | | 2,853 | |
| Tax liabilities | 180 | | 73 | |
| Other liabilities | 3,094 | | 1,496 | |
| | **14,166** | | **16,020** | |
| **Total liabilities** | **15,346** | | **16,747** | |
| *- Share capital* | *13,825* | | *13,212* | |
| *- Share premium provision* | *17,250* | | *12,563* | |
| *- Legal reserve* | *2,642* | | *2,642* | |
| *- Other reserves* | *8,612* | | *8,593* | |

| | | |
|---|---|---|
| *- Retained losses* | *466* | *(1,007)* |
| *- Profit (loss) for the period* | *3,436* | *3,090* |
| Equity attributable to owners of the Parent | 46,231 | 39,093 |
| Non-controlling interests | 1,272 | 1,388 |
| **Total equity** | **47,503** | **40,481** |
| **Total liabilities + equity** | **62,849** | **57,228** |

**Consolidated income statement**

| *(Euro thousands)* | **HY1 2016** | **of which with related parties** | **HY1 2015** | **of which with related parties** |
|---|---|---|---|---|
| Revenue from sales and services | 11,428 | | 6,487 | |
| Other income | 79 | | 1,158 | |
| Capitalisation of internally produced animated series | 617 | | 907 | |
| Raw materials, consumables and goods | (49) | | (42) | |
| Personnel costs | (1,099) | (48) | (1,050) | (46) |
| Amortisation and impairment of intangible assets | (2,394) | | (2,355) | |
| Depreciation and impairment of tangible assets | (66) | | (63) | |
| Allowance for doubtful debts | (233) | | (150) | |
| Other operating costs | (3,024) | (383) | (3,703) | (352) |
| **EBIT** | **5,259** | | **1,189** | |
| Finance income | 101 | | 305 | |
| Financial expenses | (317) | | (233) | |
| **Profit (loss) of the period before tax** | **5,043** | | **1,261** | |
| Income tax expense | (1,723) | | (460) | |
| **Net profit for the period** | **3,320** | | **801** | |
| Profit (loss) for the year attributable to non-controlling interests | (116) | | 50 | |
| **Profit (loss) attributable to owners of the Parent** | **3,436** | | **751** | |

**Statement of comprehensive income**

| *(Euro thousands)* | **HY1 2016** | **HY1 2015** |
|---|---|---|
| Net profit (loss) for the year | 3,320 | 801 |
| Other profits (losses) recognized in equity | 0 | 0 |
| **Total net profit** | **3,320** | **801** |
| Total profit (loss) attributable to non-controlling interests | (116) | 50 |
| **Total profit (loss) attributable to the Group** | **3,436** | **751** |

**Consolidated cash flow statement with related parties**

| *(Euro thousands)* | HY1 2016 | related parties | HY1 2015 | related parties |
|---|---|---|---|---|
| **A. OPENING CASH AND CASH EQUIVALENTS** | 2,869 | | 423 | |
| Group profit (loss) of the period | 3,436 | - | 751 | - |
| Profit (loss) for the year attributable to non-controlling interests | (116) | - | 50 | - |
| Total profit (loss) of the period | 3,320 | - | 801 | - |
| Depreciation, amortisation and impairment | 2,693 | - | 2,568 | - |
| Net change in provisions | (653) | - | (13) | - |
| **Cash flow from (used in) operating activities before changes in working capital** | 5,360 | | 3,356 | |
| (Increase) decrease in trade receivables | (954) | 109 | (2,155) | 30 |
| (Increase) decrease in tax assets | 2,061 | - | 1,065 | - |
| (Increase) decrease in other assets | (52) | - | 67 | - |
| Increase (decrease) in trade payables | (2,349) | (124) | (553) | (15) |
| Increase (decrease) in tax liabilities | 107 | - | (2) | - |
| Increase (decrease) in other liabilities | 1,598 | - | 80 | - |
| **B. NET CASH FROM (USED IN) OPERATING ACTIVITIES** | 5,771 | | 1,858 | |
| (Acquisition) / Disposal of | | | | |
| - Intangible assets | (8,814) | - | (3,339) | - |
| - Tangible assets | (37) | - | (129) | - |
| **C. NET CASH FROM (USED IN) INVESTING ACTIVITIES** | (8,851) | | (3,468) | |
| Changes in capital | 3,702 | - | 3,971 | - |
| Increase (decrease) in financial payables | (32) | - | (430) | - |
| Interest paid | (72) | - | (117) | - |
| **D. NET CASH FROM (USED IN) FINANCING ACTIVITIES** | 3,598 | | 3,424 | |
| **E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)** | 518 | | 1,814 | |
| **F. CLOSING CASH AND CASH EQUIVALENTS** | 3,387 | | 2,237 | |

## 2.7 OPERATING SEGMENTS

No segment other than the animation segment can be considered as a reportable segment at this time, nor does management use additional reporting with the characteristics applied to “operating segment” as provided for by IFRS 8.
The table below provides, comparative for HY1 2016 and 2015, the breakdown of Group revenues by geographical area. The allocation of revenue to a specific geographical area is made solely on the basis of the purchaser’s nationality. Thus, the geographical distribution of rights sold was not taken into account.

**Distribution/ allocation of revenue by geographical area**

| *(Euro thousands)* | HY1 2016 | | HY1 2015 | | Difference | |
|---|---|---|---|---|---|---|
| **Geographical areas** | **values** | **%** | **values** | **%** | **values** | **%** |
| Italy | 2,136 | 19% | 2,004 | 31% | 132 | 7% |
| Europe | 1,238 | 11% | 1,716 | 26% | (478) | (28%) |
| Asia | 7,820 | 68% | 2,471 | 38% | 5,349 | 216% |
| Americas | 234 | 2% | 192 | 3% | 42 | 22% |
| Africa | 0 | 0% | 104 | 2% | (104) | (100%) |
| **Total revenue** | **11,428** | **100%** | **6,487** | **100%** | **4,941** | **76%** |

## 2.8 NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.06.2016

### 2.8.1 INTRODUCTION

Mondo TV S.p.A. is a joint-stock company registered under the Rome Companies Register.
The Company is incorporated under Italian law, its registered office is located in Rome, Via Brenta 11 and it is listed on the Italian stock exchange (Borsa Italiana’s STAR market).

Mondo TV France (as of 25 March 2013) and Mondo TV Suisse (as of 13 April 2015) are listed on the AIM Italia/Alternative Capital Market (hereinafter, “AIM Italia”) organized and managed by Borsa Italiana S.p.A.

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

The condensed half-year consolidated financial statements as at 30 June 2016 of the Mondo TV Group were approved by the Board of Directors on 30 September 2016, which authorised publication thereof on the same date.

The condensed half-year consolidated financial statements as at 30 June 2016 are expressed in Euro (€) as the functional currency with which the Group operates. Operations abroad are included in compliance with the standards indicated in the following notes. All the amounts included in these condensed half-year consolidated financial statements are expressed in thousands of Euro, unless otherwise indicated.
The condensed half-year consolidated financial statements as at 30 June 2016 are subject to limited audit by BDO Italia S.p.A.

The half-year financial report of the Mondo TV Group as at 30 June 2016 has been prepared in accordance with the provisions of article 154-ter paragraph 2 of Legislative Decree no. 58/98 - Consolidated Finance Act (TUF, Testo Unico della Finanza) - and subsequent amendments or additions. The condensed half-year consolidated financial statements as at 30 June 2016, included in the half-year financial report, have been prepared in accordance with IAS 34 “Interim Financial Statements”, issued by the International Accounting Standards Board (IASB) and consist of the consolidated income statement, consolidated comprehensive income statement, consolidated statement of financial position, consolidated statement of cash flows, statement of changes in consolidated shareholders' equity and notes. In accordance with IAS 34, the notes are summarized and do not include all the information required in the annual financial statements, referring exclusively to components that, by amount, composition or variation, are essential for the purpose of understanding the Group's economic, financial and equity position. Therefore, this report should be read in conjunction with the consolidated financial statements prepared as at 31 December 2015.

In preparing this half-year report, reference was made to the same accounting standards and preparation criteria adopted in the preparation of the consolidated financial statements at 31 December 2015 - with the exception of those specifically applicable to interim situations - and of the half-year financial report as at 30 June 2015. The new standards that have been applied since 01 January 2016 have not had any significant effect on this half-year financial report. In interim situations, the estimate of income taxes is carried out by applying the tax rate expected for the interim result before taxes.

**RECENTLY ISSUED ACCOUNTING STANDARDS**

Effective 1 January 2016, the following changes in standards and interpretations are applicable:

- **Amendments to IFRS 11 (Joint Arrangements): Accounting for the acquisition of investments in jointly controlled entities**

On 24 November 2015, EU Regulation no. 2015/2173 was issued, which endorsed some amendments, limited in scope, to IFRS 11 (Joint Arrangements).
IFRS 11 governs the accounting of investments in Joint Ventures and Joint Operations. The amendments in question add new guidelines on the method of accounting the acquisition of an investment in a Joint Operation that constitutes a business (as defined in IFRS 3 - Business Combinations).
The amendments in question specify the appropriate accounting for said acquisitions.
The adoption of said amendments has had no impact on the condensed half-year consolidated financial statements as at 30 June 2016.

- **Amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets)**

On 2 December 2015, EU Regulation no. 2015/2231 was issued, which endorsed some amendments at EU level, limited in scope, to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets).
Both IAS 16 and IAS 38 envisage, as basic principle for amortisation and depreciation, the expected consumption of the future economic benefits of an asset.
The amendment clarifies that it is considered inappropriate to adopt a method of amortisation and depreciation based on revenues. Limited to intangible assets, this indication is considered a relative presumption that can be overcome only upon the occurrence of any of the following circumstances: (i) the right to use an intangible asset is contingent on the achievement of a predetermined threshold of revenue to be generated; or (ii) when it can be demonstrated that the achievement of revenue and the use of the economic benefits of the asset are highly correlated.
The adoption of these amendments resulted in a change in the amortisation policy used by the group, which was previously based on revenue; however, the change in policy did not have a material impact on the condensed half-year consolidated financial statements as at 30 June 2016.

- **Improvements to IFRS (2012-2014 Cycle)**

On 15 December 2015, EU Regulation no. 2015/2343 was issued, which transposed at EU level a collection of improvements to IFRS for the 2012-2014 cycle; with respect to said amendments, the following are noted:

- IFRS 5 Non-current assets held for sale and discontinued operations: these amendments relate to changes in disposal methods (from the sales plan to the distribution plan to the shareholders and vice versa);
- IFRS 7 Financial Instruments: Disclosures: these amendments relate to the disclosure on servicing contracts, in terms of continuing involvement and the applicability of the disclosure required by IFRS 7 concerning offsetting of financial assets and liabilities in the interim financial statements;
- IAS 19 Employee Benefits: the amendment concerns the discount rate (with reference to the market area);

– IAS 34 Interim Financial Statements: the amendment clarifies that the information included in the interim financial statements may be supplemented by other available information also contained in other sections of the Interim Report (ex. Interim Report on Operations) through the incorporation by reference technique.

The adoption of said amendments has had no significant impacts on the condensed half-year consolidated financial statements as at 30 June 2016.

- **Amendments to IAS 1 (Presentation of Financial Statements) - Disclosure Initiative**

On 18 December 2015, EU Regulation no. 2015/2406 was issued, which endorsed at EU level some amendments to IAS 1 (Presentation of Financial Statements) - Disclosure Initiative In particular, the amendments, which are part of a broader initiative to improve the presentation and disclosure of financial statements, include updates in the following areas:

- materiality: it is specified that the concept of materiality applies to the financial statements as a whole and that the inclusion of intangible information may affect the usefulness of financial information;
- disaggregation and subtotals: it is clarified that the specific items of the separate income statement, comprehensive income statement and financial position can be disaggregated. Moreover, new requirements are introduced for the use of subtotals;
- notes structure: it is specified that the companies have a certain degree of flexibility regarding the order of presentation of the notes to the financial statements. In establishing said order, the company must take into account the understandability and comparability of financial statements;
- investments accounted for using the equity method: the portion of Other Comprehensive Income (OCI) relating to investments in associates and joint ventures accounted for using the equity method must be divided between the reclassifiable and non-reclassifiable part in the separate income statement.

The adoption of said amendments has had no impact on the condensed half-year consolidated financial statements as at 30 June 2016.

**Accounting standards that are not applicable since they have not yet been endorsed by the European Union**

As at the date of these financial statements, the European Union's competent authorities have not yet completed the endorsement process required for the adoption of the following accounting standards and amendments:

- Amendments to IAS 12 (Income Taxes) - Recognition of deferred tax assets on unrealised losses 1/1/2017 - mandatory application from 01/01/2017;
- Amendments to IAS 7 (Cash Flow Statement) - Disclosure Initiative - mandatory application from 01/01/2017;
- IFRS 9 (Financial Instruments) - mandatory application from 01/01/2018;
- IFRS 15 (Revenue from Contracts with Customers, including related amendments) - mandatory application from 01/01/2018;
- IFRS 16 (Leases) - mandatory application from 01/01/2019;
- Amendment to IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures): Sale or transfer of assets between an investor and its associate/joint venture - application deferred to date to be defined;
- Clarifications to IFRS 15 (Revenue from Contracts with Customers) - mandatory application from 01/01/2018;
- Amendments to IFRS 2 (Classification and measurement of share-based payments) - mandatory application from 01/01/2018.

The adoption of the above standards and interpretations is not expected to have a material impact on the valuation of the Group's assets, liabilities, costs and revenues.

### 2.8.2 CONSOLIDATION

(a) Scope of consolidation

The condensed half-year consolidated financial statements of Mondo TV S.p.A. as at 30 June 2016 include the half-year financial statements of the Parent Mondo TV S.p.A. and the half-year financial statements of all its subsidiaries.

For the preparation of the condensed half-year consolidated financial statements, use has been made of the financial statements of the consolidated companies prepared by the respective Boards of Directors. The financial statements prepared by the subsidiaries have been adjusted, where necessary, by the Parent Company to make them adherent to the IFRS adopted by the Mondo TV Group.
Annex no. 3.4 of this Financial Report lists the companies included in the scope of consolidation, with indication of the consolidation methodology applied.
The changes in the consolidation area concern the inclusion of Mondo TV Toys S.A., incorporated in the first half of the year.

### 2.8.3 ACCOUNTING STANDARDS AND MEASUREMENT BASES

The consolidation principles, accounting standards, criteria and valuation estimates adopted are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2015, to which reference should be made for completeness, except for the criteria for amortisation of the library, which is carried out on a straight-line basis over seven years implementing the amendments to IAS 38, which no longer make it possible to calculate amortisation on the basis of revenues from the exploitation of the library.
The preparation of the condensed half-year consolidated financial statements requires the Directors to make estimates and assumptions that affect the amounts of assets and liabilities in the financial statements and related disclosure, and contingent assets and liabilities at the reporting date. The estimates and related assumptions are based on previous experience and on other factors that are considered to be reasonable in the present case and are adopted when the accounting value of assets and liabilities cannot be easily inferred from other sources. Therefore, the actual results achieved may differ from said estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement if it only involves that year. In the event that the review affects years, both current and future, the change is recognised in the year in which the review is carried out and in the related future years. Actual results may differ even substantially from these estimates due to changes in the factors considered when determining said estimates.
Some valuation procedures, in particular the more complex ones such as determining any impairment of non-current assets, are generally carried out fully only in the preparation of the annual consolidated financial statements, except in cases where there are impairment indicators that require an immediate estimate of any updates.

### 2.8.4 SEASONALITY OF ACTIVITIES

The activity carried out by the Group is not cyclical and the business is not considered highly seasonal; therefore, these consolidated half-year financial statements do not include the additional information required by IAS 34.16A (b) and the additional financial information required by IAS 34.21.

### 2.8.5 INTANGIBLE ASSETS AND TANGIBLE ASSETS

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

**Changes in intangible assets**

| *(Euro thousands)* | **Intangible rights** | **Other intangible assets** | **TOTAL** |
|---|---|---|---|
| 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 |
| Disposals in the period | 0 | 0 | 0 |

| | | | |
|---|---|---|---|
| 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** |
| *Current period* | | | |
| Increases in the period | 8,809 | 6 | 8,815 |
| Disposals in the period | | | |
| Amortisation and impairment in the period | (2,388) | (6) | (2,394) |
| Use of provisions in the period | | | |
| Cost as at 30.06.2016 | 165,903 | 1,219 | 167,122 |
| Amortisation and impairment as at 30.06.2016 | (143,366) | (1,186) | (144,552) |
| **Net value 30.06.2016** | **22,537** | **33** | **22,570** |

All the costs recognized are reasonably related to continuing useful lives and are amortized on a straight-line basis over a period of 7 years from 1 January 2016 to incorporate amendments to IAS 38 that no longer allow for a revenue-based amortization method.

*Impairment test on the Library*

At least once a year or more frequently if there is an indication of impairment, Mondo TV S.p.A. Group checks if the recoverable value is at least equal to the carrying amount, in compliance with IAS 36.

In preparing the financial report as at 31 December 2015, rights on films and animated series, which constitute the "Library", were subject to Impairment. The assumptions of the Plan were confirmed as at 30 June 2016 and at that date, the Company's Management did not detect the presence of Impairment Indicators as no events have occurred that could alter the assumptions of the Plan; therefore, the approach adopted as at 31 December 2015 was confirmed and it was not considered necessary to proceed with the impairment test of the Library as at 30 June.

The breakdown of changes in tangible assets is presented in the table below.

**Changes in tangible assets**

| *(Euro thousands)* | **Plant and machinery** | **Industrial and commercial equipment** | **Other assets** | **TOTAL** |
|---|---|---|---|---|
| Cost as at 31.12.2014 | 2,254 | 1,241 | 757 | 4,252 |
| Amortisation and impairment at 31.12.2014 | (2,209) | (1,114) | (646) | (3,969) |
| **Net value 31.12.2014** | **45** | **127** | **111** | **283** |
| *FY 2015* | | | | |
| Increases in the period | 131 | 0 | 55 | 186 |
| Disposals in the period | | | | 0 |
| Amortisation and impairment in the period | (37) | (51) | (45) | (133) |
| Use of provisions in the period | | | | |
| Cost as at 31.12.2015 | 2,385 | 1,241 | 812 | 4,438 |
| Amortisation and impairment at 31.12.2015 | (2,246) | (1,165) | (691) | (4,102) |
| **Net value 31.12.2015** | **139** | **76** | **121** | **336** |
| *Current period* | | | | |
| Increases in the period | 2 | | 35 | 37 |

| | | | | |
|---|---|---|---|---|
| Disposals in the period | | | 0 | 0 |
| Amortisation and impairment in the period | (19) | (25) | (22) | (66) |
| Use of provisions in the period | | | | |
| Cost as at 30.06.2016 | 2,387 | 1,241 | 847 | 4,475 |
| Amortisation and impairment at 30.06.2016 | (2,265) | (1,190) | (713) | (4,168) |
| **Net value 30.06.2016** | **122** | **51** | **134** | **307** |

The item did not change significantly and the breakdown is as follows compared to 31 December 2015.

### 2.8.6 TAX ASSETS AND LIABILITIES

Deferred tax assets of Euro 6,970 thousand were mainly recognized on tax losses carried forward that, starting from those recorded in the year 2006 no longer expire, and therefore, they may be accumulated and used to an extent equal to 80% of the taxable income for IRES (Corporate Income Tax) of each year.
Deferred tax assets are recognised in financial statements to the extent they are likely to be recovered; in particular the recognition of deferred tax assets reflects the assessments made by the Board of Directors with regards to taxable income generated by Group operations in the near future so as to allow the recovery. This valuation was confirmed in preparing the half-year financial report as at 30 June 2016.

The deferred tax assets and liabilities recognised in the half-year consolidated financial statements are shown in the table below:

**Breakdown of deferred tax assets and liabilities**

| *(Euro thousands)* | **30.06.2016** | **31.12.2015** | **Change** |
|---|---|---|---|
| Accumulated losses and other temporary differences | 6,970 | 8,054 | (1,084) |
| **Total assets** | **6,970** | **8,054** | **(1,084)** |
| Other temporary differences | 141 | 141 | - |
| **Total liabilities** | **141** | **141** | **-** |
| **Net deferred tax assets** | **6,829** | **7,913** | **(1,084)** |

**Changes in deferred tax assets and liabilities**

| *(Euro thousands)* | **31.12.2015** | **Increases** | **Decreases** | **30.06.2016** |
|---|---|---|---|---|
| Assets | 8,054 | - | (1,084) | 6,970 |
| Liabilities | 141 | - | - | 141 |
| **Net deferred tax assets** | **7,913** | **-** | **(1,084)** | **6,829** |

The recoverability of deferred tax assets recognised in the financial statements in the next ten years is strictly related to the actual achievement of the objectives set in the Plan, characterised by the uncertainties typical of a forecast Business Plan.

The breakdown of receivables and payables for current taxes is shown in the table below.

**Breakdown of current tax assets and liabilities**

| (Euro thousands) | 30.06.2016 | 31.12.2015 | Change |
|---|---|---|---|
| IRES (Corporate Income Tax) | 79 | 63 | 16 |
| IRAP (Regional Business Tax) | 189 | 189 | - |
| Tax assets | 5,449 | 6,442 | (993) |
| **Total tax assets** | **5,717** | **6,694** | **(977)** |
| Income taxes due abroad | 180 | 73 | 107 |
| **Total tax liabilities** | **180** | **73** | **-** |

Tax receivables consist of receivables arising from the transformation by the Parent Company of a portion of deferred tax assets in tax receivables in accordance with Law no. 214 of 22 December 2011. The decrease is attributable to uses by means of offsetting in HY1.

### 2.8.7 RECEIVABLES

**Breakdown of non-current trade receivables**

| (Euro thousands) | 30.06.2016 | 31.12.2015 | Change |
|---|---|---|---|
| Financial receivables due from third parties | 307 | 307 | - |
| Other receivables | 157 | 154 | 3 |
| **TOTAL** | **464** | **461** | **3** |

The breakdown of trade receivables, all due within twelve months, is shown in the table below.

**Breakdown of trade and other receivables**

| (Euro thousands) | 30.06.2016 | 31.12.2015 | Change |
|---|---|---|---|
| Due from customers | 20,258 | 16,130 | 4,128 |
| Due from customers for invoices to be issued | 4,385 | 7,986 | (3,601) |
| Due from tax authorities for tax other than income tax | 363 | 323 | 40 |
| Other receivables | 3,467 | 3,760 | (293) |
| Allowance for doubtful debts | (5,463) | (5,907) | 444 |
| **TOTAL** | **23,010** | **22,292** | **718** |

The adjustment of the nominal value of receivables was obtained through a specific provision for doubtful debts, deemed appropriate, which underwent the following changes during the period (Euro thousands):

**Breakdown of the allowance for doubtful debts**

| | 30.06.2016 | 31.12.2015 |
|---|---|---|
| **Opening allowance for doubtful debts** | **5,907** | **5,462** |
| Allowance for the period | 233 | 458 |
| Used in the period | (677) | (15) |
| Other changes | - | 2 |
| **Closing allowance for doubtful debts** | **5,463** | **5,907** |

The provision for the period, amounting to Euro 233 thousand, mainly refers to the write-down of the receivables of the Parent Company and the subsidiary Mondo TV Iberoamerica considered no longer due. The utilisation in the half-year is instead attributable to the derecognition of receivables of the parent company already set aside in the allowance for doubtful debts and considered definitively no longer collectable.

The tax assets are broken down in the table below:

| Breakdown of tax assets relating to tax other than income tax | | | |
|---|---|---|---|
| *(Euro thousands)* | **30.06.2016** | **31.12.2015** | **Change** |
| Italian VAT receivables | 64 | 71 | (7) |
| Other tax assets | 299 | 252 | 47 |
| **TOTAL** | **363** | **323** | **40** |

Receivables due from others can be broken down as follows.

| Breakdown of receivables due from others | | | |
|---|---|---|---|
| *(Euro thousands)* | **30.06.2016** | **31.12.2015** | **Change** |
| Due from suppliers for advances | 13 | 27 | (14) |
| Due from employees | 3 | 23 | (20) |
| Co-production in progress | 2,556 | 2,957 | (401) |
| Other receivables | 895 | 753 | 142 |
| **TOTAL** | **3,467** | **3,760** | **(293)** |

Euro 2,556 thousand of receivables due from customers for coproductions represent the disbursements made for the acquisition of services required to fulfil the obligations vis-à-vis the coproducers. In compliance with the accounting standards adopted, upon completion of production, these advances will offset revenue from customers for progress in productions (revenue totalled Euro 198 thousand as at 30 June 2016 and is recognised under current payables).

### 2.8.8 OTHER ASSETS

This item amounts to Euro 0.4 million (Euro 0.4 million as at 31.12.2015) and includes costs accounted for the period but related to future periods (deferred assets).

### 2.8.9 CASH AND CASH EQUIVALENTS

The analysis is shown in the following table (Euro thousands).

| Breakdown of cash and cash equivalents | | | |
|---|---|---|---|
| **Description** | **30.06.2016** | **31.12.2015** | **change** |
| Bank and postal deposits | 3,382 | 2,868 | 514 |
| Cash and other cash assets | 5 | 1 | 4 |
| **TOTAL** | **3,387** | **2,869** | **518** |

The balance represents cash and cash equivalents at the end of the period, of which approximately Euro 219 thousand in current accounts in US Dollar. The statement of the Group's consolidated net financial position is shown in note 2.8.27.

### 2.8.10 EQUITY

The share capital is composed as follows:

| Description | | Par value in Euro |
|---|---|---|
| Ordinary shares | 27,651,167 | 0.5 |
| **TOTAL** | **27,651,167** | **Euro 13,825,584** |

There are no other categories of shares, nor rights, privileges or restrictions for any category of shares. There are no treasury shares of the Parent Company. Equity reserves are broken down as follows:

| Equity reserves | | |
|---|---|---|
| (Euro thousands) | **30.06.2016** | **31.12.2015** |
| - Share premium provision | 17,250 | 12,563 |
| - Legal reserve | 2,642 | 2,642 |
| - Other reserves | 8,612 | 8,593 |
| - Retained earnings (accumulated losses) | 466 | (1,007) |
| - Profit (loss) for the period | 3,436 | 3,090 |
| **TOTAL** | **32,406** | **25,881** |

On 22 February 2016, the Parent Mondo TV S.p.A. signed an investment agreement with GEM Global Yield Fund Limited LCS SCS and GEM Investments America LLC, which provides a reserved capital increase, with the exclusion of option rights, for a maximum of Euro 35 million, through the use of a Share Subscription Facility.
Mondo TV also issued a global warrant, exercisable within three years of issue, in favour of GEM for the subscription of 500,000 Mondo TV shares at the price of Euro 6.50 per share, 1,500,000 Mondo TV shares at the price of Euro 8.00 per share and 500,000 Mondo TV shares at the price of Euro 10 per share, for a total value of Euro 20,250 thousand.
On 9 March 2016, the Board of Directors of Mondo TV sent the first subscription request related to the investment agreement with GEM; following the first request, in April, GEM subscribed 1,226,339 shares for a total, net of commissions, of approximately Euro 5,000 thousand.

As a result of the subscription of the first request, the share capital increased by Euro 613 thousand and the share premium provision by approximately Euro 4,687 thousand; the expenses relating to the transaction (Gem's commission and other expenses incurred for the transaction) were also recorded as a reduction of shareholders' equity in the item other reserves for a total of Euro 638 thousand.

Equity items are broken down according to origin, the potential for use, and availability for distribution:
- All of the share capital and legal reserve may only be used for covering losses.
- The entire amount of the share premium provision may be used for capital increase, for covering losses, and may also be distributed among the shareholders.
- No revaluation reserves exist.
- There are no reserves or other provisions, which, in case of distribution, contribute to form the Company's taxable income, regardless of the period of creation.
- There are no reserves or other provisions, which, in case of distribution, do not contribute to form the taxable income of shareholders, regardless of the period of creation.
- There are no reserves or other provisions incorporated in the share capital.

### 2.8.11 POST-EMPLOYMENT BENEFITS AND PROVISIONS FOR RISKS AND CHARGES

The item is broken down as follows.

| Post-employment benefits and Provisions for risks and charges | | | |
|---|---|---|---|
| *(Euro thousands)* | **30.06.2016** | **31.12.2015** | **Change** |
| **Provision for post-employment benefits** | **378** | **346** | **32** |
| Provision for tax risks and charges | 32 | 32 | - |
| Provision for returns on sales | 23 | 23 | - |
| Other provisions | 0 | 685 | (685) |
| **PROVISION FOR RISKS AND CHARGES** | **55** | **740** | **(685)** |
| beyond 12 months | 23 | 23 | - |
| within 12 months | 32 | 717 | (685) |
| **TOTAL PROVISION FOR RISKS AND CHARGES** | **55** | **740** | **(685)** |

| Changes in Post-employment benefits and Provisions for risks and charges | | | | |
|---|---|---|---|---|
| *(Euro thousands)* | **31.12.2015** | **allocations** | **uses** | **30.06.2016** |
| Provision for post-employment benefits | 346 | 35 | (3) | 378 |
| Provision for tax risks and charges | 32 | | | 32 |
| Provision for returns on sales | 23 | | | 23 |
| Other provisions | 685 | | (685) | - |
| **TOTAL** | **1,086** | **35** | **(688)** | **433** |
| beyond 12 months | 369 | | | 401 |
| within 12 months | 717 | | | 32 |
| **TOTAL** | **1,086** | | | **433** |

The other provisions for current risk recorded at 31 December 2015 referred to the provision made in relation to the Soci Moviemax lawsuit; following the first-instance sentence of 18 December 2015, which condemned Mondo TV, Orlando Corradi and Matteo Corradi to pay Euro 2.4 million as compensation for damages, a settlement agreement was signed on 02 February 2016, which provides for a total amount by way of compensation by Mondo TV S.p.A., Orlando Corradi and Matteo Corradi of Euro 2,050 thousand with the mutual waiver of the appeal. The overall expense for Mondo TV S.p.A. is equal to a third of the amount transacted, and thus about Euro 685 thousand, which was fully allocated to the provision for risks and charges as at 31 December 2015. As a result of payments made in 2016 in execution of the signed settlement agreement, the related provision was fully utilised.

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

**Pegasus Distribuzione S.r.l.**

The Parent Company is involved in a lawsuit against Pegasus Distribuzione S.r.l. regarding claims for damages filed by the plaintiff due to an alleged breach of contract by Mondo TV S.p.A. in relation to two sales contracts.
Pegasus Distribuzione S.r.l. requested that Mondo TV S.p.A. be forced to pay an overall sum of Euro 463 thousand to reimburse the costs incurred for the purchase of the products and to reimburse the loss of earnings, which can be set between a minimum of Euro 101 thousand and a maximum of Euro 169 thousand. Damages were also claimed for reputational harm.

Mondo TV S.p.A. objected and requested first the rejection due to lack of grounds, and secondly, verification of the lower amount owed, taking into account the non-refunding of the merchandise sold and of the non-payment on the part of Pegasus Distribuzione S.r.l. of the agreed consideration, in addition to the possibility to offset the amount with a receivable due to Mondo TV S.p.A. by Pegasus Distribuzione S.r.l. for excess merchandise delivered and used by the counterparty (Euro 69 thousand).

With the first-instance ruling on 21 January 2010, the Court of Rome rejected Pegasus Distribuzione S.r.l.'s petition; Pegasus Distribuzione S.r.l. challenged the aforementioned ruling with a notice of appeal dated 11 October 2010. The proceedings were adjourned until 23 April 2014.

At that hearing, no one appeared and the proceedings were adjourned in accordance with art. 309 Italian Code of Civil Procedure to the hearing of 11 June 2014; said latter hearing was further adjourned to 23 November 2016. Before the next hearing, it will be assessed whether to appear or, in case of further failure to appear by appellant, to let the proceedings lapse.

Management deems the risk of losing to be remote also based on the outcome of the first-instance ruling.

**Clan Celentano S.r.l.**

As regards the dispute against Clan Celentano S.r.l., which convened Mondo TV S.p.A. before the Court of Milan in relation to alleged breaches and termination of a contract stipulated between the parties for the realisation of a TV cartoon series with the provisional title "Adrian", Mondo TV S.p.A. appeared as a defendant and challenged all of the plaintiff's claims. It filed a counterclaim for an overall amount of Euro 1,887 thousand.

On 16 April 2013, the expert witness (CTU) was appointed, whose technical report was filed at the end of 2013; the outcome is substantially unfavourable with regard to the claim for compensation formulated by Mondo TV S.p.A.

At the hearing on 13 May 2014, Clan Celentano S.r.l. reported to have found an agreement with Sky, on whose channels the series was to be aired, in order to interrupt the contract between Sky and Clan Celentano, and requested to produce copy of said agreement.

Mondo TV opposed and the Court reserved a decision adjourning the proceedings to the hearing of 11 November 2014. At that hearing, the Judge admitted the filing of the transaction and adjourned the proceedings for final judgement to 16 February 2016.

Said hearing was adjourned for the same incumbents until 19 July 2016.

At the hearing on 19 July 2016, both parties specified their respective conclusions.

Clan Celentano S.r.l. quantified for the first time the amount of its claims, which include, inter alia, the reimbursement of the amount already paid to Mondo TV, or Euro 500 thousand, taking into account the Euro 250 thousand of the surety already collected, as well as damages to be paid of not less than Euro 14 million.

As regards the quantification of the damage formulated by the adversary, for the first time only when defining the conclusions in the final statement, pleaded is its lateness and apodictiveness and the existence of the contractual limitation that provides, for any damages of any kind (whether of emerging damage or of loss of profit) caused, the limit of the amount equal to the amount received in payment/paid during the execution of the contract, increased by 50% (fifty percent).

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

### 2.8.12 TRADE PAYABLES AND FINANCIAL PAYABLES

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

**Breakdown of non-current financial payables**

| *(Euro thousands)* | **30.06.2016** | **31.12.2015** | **Change** |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Payables due to banks | 638 | 217 | 421 |
| **Total** | **638** | **217** | **421** |

**Breakdown of trade payables**

| *(Euro thousands)* | 30.06.2016 | 31.12.2015 | Change |
|---|---|---|---|
| Due to suppliers | 7,313 | 8,059 | (746) |
| Due to tax authorities for tax other than income tax | 220 | 243 | (23) |
| Other payables | 999 | 2,580 | (1,581) |
| **Total trade payables** | **8,532** | **10,882** | **(2,350)** |

**Breakdown of tax liabilities relating to tax other than income tax**

| *(Euro thousands)* | 30.06.2016 | 31.12.2015 | Change |
|---|---|---|---|
| VAT payables | 22 | 55 | (33) |
| Payables for withholding tax on third-party remuneration | 192 | 188 | 4 |
| Other tax liabilities | 6 | - | 6 |
| **Total liabilities due to tax authorities for tax other than income tax** | **220** | **243** | **(23)** |

**Breakdown of other payables**

| *(Euro thousands)* | 30.06.2016 | 31.12.2015 | Change |
|---|---|---|---|
| Payables for wages, salaries and fees | 312 | 253 | 59 |
| Due to social security institutions | 348 | 364 | (16) |
| Advances from customers | 106 | 106 | - |
| Advances from coproducers | 198 | 1,692 | (1,494) |
| Other payables | 35 | 165 | (130) |
| **Total other payables** | **999** | **2,580** | **(1,581)** |

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

**Breakdown of current financial payables**

| *(Euro thousands)* | 30.06.2016 | 31.12.2015 | Change |
|---|---|---|---|
| Cofiloisir funding for production | - | 324 | (324) |
| Due to banks for leases | - | 6 | (6) |
| Bank overdrafts | 2,328 | 2,523 | (195) |
| **Total** | **2,328** | **2,853** | **(525)** |

COFILOISIR, a public institution under French law, gave the subsidiary Mondo TV France S.A. funds in relation to the production of animation works.

Cofiloisirs is an institution that has participated and participates in the financing of the production of audiovisual works through the supply of revolving credit lines for individual projects at a rate equal to Euribor increased by a spread of 2.5%; this financing is supplied on the basis of a maximum ceiling established for each work on the basis of the progress of production, and is repaid through the transfer to Cofiloisirs of all credits deriving from contracts with television broadcasters, from other subsidies and from tax credits.

These lines of credit are granted on the basis of specific agreements that are signed in relation to each series: the Company has entered into agreements with Cofiloisirs for the series currently in production (Lulu Vroumette third season and Marcus Level).

Bank overdrafts relate almost entirely to lines of disposal of invoices by the Parent Company.

### 2.8.13 OTHER LIABILITIES

The item "Other liabilities" refers to deferred income, i.e. portions of revenue for royalty rights invoiced at the end of the period but deemed, pursuant to the revenue recognition principle adopted, to accrue in future years since the relevant media have not been delivered yet.
They amount to Euro 3.1 million as at 30 June 2016 compared to Euro to 1.5 million as at 31 December 2015. They refer in their entirety to advances from customers and clients.

### 2.8.14 TAX POSITION

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

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

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

- **The second notice of assessment,** also notified on 9 October 2015, refers to IRAP and VAT for the year 2010. The higher IRAP ascertained is equal to Euro 0.2 million plus interest, while the higher VAT ascertained is equal to approximately Euro 0.8 million plus interest. The penalties amount to approximately Euro 1.2 million. The company filed an appeal against the notice of assessment on 2 December 2015, filing at the Provincial Tax Commission of Rome on 23 December 2015 and contesting both for IRAP purposes the main finding consisting in the non-declaration of positive components for about Euro 4 million and for VAT purposes the non-declaration, invoicing and recording of taxable transactions for about Euro 4 million. In consideration of the lack of any basis in the judgement of the findings contained in the Formal Notice of Assessment (PVC) of the Guardia di Finanza as reported slavishly by the Revenue Agency in the Notice of Assessment, the Directors, also comforted by the judgement of specially appointed consultants, deem scarcely likely that the company may succumb in this dispute, the residual value of which is around Euro 2.2 million and therefore, consistent with the assessments made in the annual financial report as at 31 December 2015, no provision was made in the half-year report as at 30 June 2016.

### 2.8.15 CONTINGENT LIABILITIES

Directors believe that there are no significant contingent liabilities that must be described in this commentary other than those recognised in paragraph 2.8.11 Provision for Risks and Charges and paragraph 2.8.14 Tax Position.

### 2.8.16 COMMITMENTS

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

- a surety of Euro 371 thousand issued in favour of RAI for the production of the animated series Isola del Tesoro;
- a guarantee of Euro 300 thousand issued by Confartigianato Fidi in favour of Veneto Banca for a short term credit line to be used as a self-liquidating loan;
- a guarantee issued by Eurofidi equal to 50% of the outstanding amount of the 36-month loan of Euro 500 thousand issued by Banca Sella;
- a surety of Euro 200 thousand issued in favour of Ferrari for the production of the animated series Drakers.

### 2.8.17 REVENUES FROM SALES AND OTHER OPERATING REVENUES

| **Revenue from sales and services** | | | |
|---|---|---|---|
| *(Euro thousands)* | **HY1 2016** | **HY1 2015** | **Change** |
| Revenue from sales of rights | 5,364 | 2,427 | 2,937 |
| Revenue from licensing | 327 | 238 | 89 |
| Revenue from production services | 5,737 | 3,822 | 1,915 |
| Other income | 79 | - | 79 |
| **Total** | **11,507** | **6,487** | **5,020** |

Compared to the corresponding period of 2015, the increase in revenues from sales and services amounted to Euro 5.0 million in absolute value and about 77% in percentage terms mainly due to the increase in revenues from sales of rights and the increase in production services.

### 2.8.18 OTHER REVENUES

The item other revenues, amounting to Euro 0.1 million (Euro 1.2 million in the corresponding period of 2015) mainly includes contributions and subsidies accrued by Mondo TV France S.A. in relation to the production of animated series.

### 2.8.19 CAPITALISATION OF INTERNALLY PRODUCED SERIES

The Group produces animated series in-house, incurring, in addition to external costs of direction, screenplay, animation studies and music, the internal costs as well, concerning both the pre-production and post-production phases. These costs are recognised and attributed to the series in progress. Directors recognise the series produced in-house as assets in the statement of financial position when they satisfy the definition of intangible assets in compliance with IAS 38.
The Group capitalises these costs only when the costs incurred for the production of animated series refer to the development phase: until then, expense incurred is recognised in profit or loss.
The capitalization of the animated series realized internally involves the capitalization of the costs incurred by the Parent Company for an amount of approximately Euro 0.6 million.
The capitalised costs consist of approximately Euro 0.4 million in labour costs and of approximately Euro 0.2 million in operating costs due to third parties.

### 2.8.20 RAW MATERIALS, CONSUMABLES AND GOODS

This item is substantially stable compared to HY1 2016.

### 2.8.21 PERSONNEL COSTS

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

| Personnel costs | | | |
|---|---|---|---|
| *(Euro thousands)* | **HY1 2016** | **HY1 2015** | **Change** |
| Salaries and wages | 838 | 781 | 57 |
| Social security costs | 226 | 239 | (13) |
| Post-employment benefits | 35 | 27 | 8 |
| Other personnel costs | 0 | 3 | (3) |
| **Total** | **1,099** | **1,050** | **49** |

Labour costs were broadly stable in the period compared to the first half of 2015.
The Group's human resources are detailed by category in the table below.

| Group's human resources (average figure) | | |
|---|---|---|
| | **30.06.2016** | **30.06.2015** |
| Blue-collar workers | 0 | 0 |
| White-collar workers | 25 | 25 |
| Middle-managers | 4 | 3 |
| Executives | 3 | 3 |
| **Total** | **32** | **31** |

### 2.8.22 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the item is shown below:

| Breakdown of depreciation, amortisation and impairment | | | |
|---|---|---|---|
| *(Euro thousands)* | **HY1 2016** | **HY1 2015** | **Change** |
| Proprietary rights | 1,105 | 2,164 | (1,059) |
| Temporary licenses | 1,282 | 182 | 1,100 |
| Other intangible assets | 7 | 9 | (2) |
| ***Sub-total of intangible assets*** | ***2,394*** | ***2,355*** | ***39*** |
| ***Sub-total of tangible assets*** | ***66*** | ***63*** | ***3*** |
| **Total depreciation, amortisation and impairment** | **2,460** | **2,418** | **42** |

Depreciation and amortisation were substantially stable in HY1 2016 compared to HY1 2015.
The lower amortisation of property rights has in fact been offset by higher amortisation of temporary licenses.
As of 1 January 2016, the amortization of rights is on a straight-line basis over a period of 7 years, in order to implement the amendments to IAS 16 that no longer allow for a revenue-based amortization method.

### 2.8.23 OTHER OPERATING COSTS

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

**Other operating costs**

| (Euro thousands) | HY1 2016 | HY1 2015 | Change |
|---|---|---|---|
| Production costs | 619 | 1,447 | (828) |
| Marketing and commercialisation costs | 293 | 314 | (21) |
| Consulting services | 369 | 194 | 175 |
| Remuneration to corporate bodies | 249 | 190 | 59 |
| Other services | 843 | 1,137 | (294) |
| **Service costs** | **2,373** | **3,282** | **(909)** |
| Equipment hire and rents | 303 | 274 | 29 |
| **Costs associated with leased assets** | **303** | **274** | **29** |
| **Sundry operating costs** | **348** | **147** | **201** |
| **Total** | **3,024** | **3,703** | **(679)** |

Operating costs decreased by Euro 0.7 million compared to the same period in 2015, mainly due to lower production costs incurred in the period for the productions carried out.

### 2.8.24 FINANCIAL INCOME AND EXPENSES

The table below provides a breakdown of financial income and expenses.

| Financial income and expenses | | | |
|---|---|---|---|
| *(Euro thousands)* | **HY1 2016** | **HY1 2015** | **Change** |
| Financial expenses | | | |
| Bank interest | (72) | (115) | 43 |
| Other interest | - | (12) | 12 |
| Bank fees | (83) | (56) | (27) |
| Other financial expenses | - | (4) | 4 |
| *sub total financial expenses* | *(155)* | *(187)* | *32* |
| exchange rate gains and losses | | | |
| Exchange rate gains | 101 | 305 | (204) |
| Exchange rate losses | (162) | (46) | (116) |
| *sub total exchange rate gains and losses* | *(61)* | *259* | *(320)* |
| *imp/reval investments* | - | - | - |
| **TOTAL** | **(216)** | **72** | **(288)** |

In HY1 2016, net financial expenses amounted to Euro 216 thousand, compared to net financial income of Euro 72 thousand in HY1 2015; the change is mainly due to the exchange rate differences.
Financial expenses were down compared to the corresponding period of 2015 due to lower bank interest expense as a result of the reduction in debt.

### 2.8.25 TAXES

The breakdown is shown in the table below.

**Breakdown of taxes**

| *(Euro thousands)* | HY1 2016 | HY1 2015 | Change |
|---|---|---|---|
| **Current taxes** | **(639)** | **(191)** | **(448)** |
| Prepaid taxes of previous years recognised in profit or loss | (1,084) | (269) | (815) |
| **Prepaid (deferred) taxes** | **(1,084)** | **(269)** | **(815)** |
| **Taxes for the year** | **(1,723)** | **(460)** | (1,263) |
| IRES (Corporate Income Tax) | (1,355) | (337) | (1,018) |
| IRAP (Regional Business Tax) | (260) | (93) | (167) |
| Taxes of foreign subsidiaries | (108) | (30) | (78) |
| **Taxes for the year** | **(1,723)** | **(460)** | **(1,263)** |

## 2.8.26 DIVIDEND DISTRIBUTION

During the half-year period, a dividend in the amount of Euro 1,106,047, equal to Euro 0.04 per share, was distributed as allocation of the 2015 profit.

## 2.8.27 EARNINGS (LOSS) PER SHARE

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

| | 30 June 2016 | 30 June 2015 |
|---|---|---|
| Average of the shares of the period | 27,037,997 | 26,424,828 |
| Net profit (loss) (Euro thousands) | 3,436 | 751 |
| **Earnings (loss) per share (basic and diluted)** | **0.1271** | **0.0284** |

Basic earnings per share are the same as diluted earnings per share, since there are no dilutive effects.

## 2.8.28 INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of trade receivables and other financial assets, of trade and other payables and of other financial liabilities, recorded under the "current" items of the statement of financial position and measured using the amortised cost method, does not diverge from the carrying amounts of the consolidated half-year financial report as at 30 June 2016 since it mainly refers to assets underlying commercial dealings which are expected to be settled in the short term.
Non-current financial assets and liabilities are settled at market rates and therefore their fair value is essentially deemed to be in line with the current market value. Therefore, there are no differences between their fair value and their carrying amount.

## 2.8.29 ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication DEM/6064293 of 28.07.2006 "Disclosure for listed issuers and issuers of financial instruments widely distributed among the public pursuant to art. 116 of the Consolidated Finance Act – Requirements pursuant to article 114, paragraph 5, of Legislative Decree 58/98", it is noted that:

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

### 2.8.30 ANALYSIS OF FINANCIAL RISKS (IFRS 7)

For the analysis of financial risks, reference is made to the Report on Operations prepared by the Directors of the Company.

### 2.8.31 SIGNIFICANT EVENTS AFTER HY END

For the analysis of significant events after HY end, reference is made to the Report on Operations prepared by the Directors of the Company.

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

______________________

*(Matteo Corradi)*

## 3. ANNEXES

### 3.1 CORPORATE BODIES AND COMMITTEES 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 Italia S.p.A.

**Sponsor and Specialist**

Intermonte

### 3.2 POWERS AND CORPORATE GOVERNANCE

**Powers**

Mondo TV S.p.A. appointed as the Chief Executive Officer Matteo Corradi, with all the powers for the ordinary and

[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

extraordinary administration of the Company, excluding only those that are strictly reserved to the Board of Directors by law, as well as the transactions having a significant impact in terms of performance, financial position and cash flows, and all transactions with related parties.

**Corporate Governance**

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

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

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

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

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

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

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

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

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

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

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

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

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

In the period from 1 January to 30 September 2016, the Board of Directors met 9 times. The Articles of Association do not provide for a minimum frequency of the Board of Directors' meetings. The delegated bodies have reported to the Board of Directors during the aforementioned meetings and in any case with the minimal quarterly frequency required by the Corporate Governance Code. The directors were informed on the items on the agenda with sufficient prior notice.

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

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

## 3.3 CORPORATE BODIES OF THE SUBSIDIARIES

| | |
|---|---|
| **Mondo TV Suisse S.A.** | Board of Directors<br>Ivano D'Andrea (Chair)<br>Valentina La Macchia<br>Matteo Corradi<br>Alexander Manucer<br>Paolo Zecca |
| **Mondo France S.A.** | Directors<br>Matteo Corradi (Chair)<br>Eve Baron<br>Carlo Marchetti<br>Fabrizio Balassone |
| **Mondo TV Iberoamerica SL.** | Board of Directors<br>Jesus Timoteo<br>Matteo Corradi<br>Maria Bonaria Fois |
| **Mondo TV Toys S.A.** | Board of Directors<br>Ivano D'Andrea<br>Matteo Corradi<br>Carlo Marchetti |

## 3.4 LIST OF THE EQUITY INVESTMENTS IN THE SCOPE OF CONSOLIDATION

All the equity investments listed below were consolidated line-by-line.

**List of the equity investments held as at 30.06.2016**

| **Company Name** | **Mondo TV Suisse S.A.** |
|---|---|
| Registered Office | Lugano (Switzerland) |
| Share capital | CHF 100,000 |
| Equity as at 31.12.2015 | CHF 413,132 |
| Profit (loss) for the year 2015 | CHF 145,759 |
| Ownership interest | 67% |

| **Company Name** | **Mondo TV France S.A.** |
|---|---|
| Registered Office | Paris (France) |
| Share capital | Euro 1,100,000 |
| Equity as at 31.12.2015 | Euro 2,162,299 |
| Profit (loss) for the year 2015 | Euro 295,270 |
| Ownership interest | 40% |

| **Company Name** | **Mondo TV Iberoamerica S.L.** |
|---|---|
| Registered Office | Madrid (Spain) |
| Share capital | Euro 100,000 |
| Equity as at 31.12.2015 | Euro 195,605 |
| Profit (loss) for the year 2015 | Euro 179,214 |
| Ownership interest | 100% |

| **Company Name** | **Mondo TV Toys S.A.** |
|---|---|
| Registered Office | Lugano |
| Share capital | CHF 100,000 |
| Ownership interest | 100% |

## 3.5 LIST OF RELATED PARTIES

| | |
|---|---|
| Trilateral Land S.r.l. | Company managed or owned by a related party |
| Orlando Corradi | MTV Controlling shareholder - Director |
| Matteo Corradi | Director MTV, MFR, MIBEROAMERICA |
| Monica Corradi | MTV Director |
| Riccardo Corradi | Son of Orlando Corradi |
| Giuliana Bertozzi | Wife of Orlando Corradi |
| Francesco Figliuzzi | MTV Director |
| Marina Martinelli | MTV Director |
| Carlo Marchetti | MTV and MFR Director |

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

### 4.1 STATEMENT OF FINANCIAL POSITION AS AT 30.06.2016

Statement of financial position

| *(Euro thousands)* | 30.06.2016 | 31.12.2015 |
|---|---|---|
| **Non-current assets** | | |
| *- Intangible rights* | *19,862* | *15,245* |
| *- Other intangible assets* | *31* | *31* |
| Intangible assets | 19,893 | 15,276 |
| Tangible assets | 272 | 297 |
| Equity investments | 1,673 | 1,182 |
| Deferred tax assets | 6,541 | 7,624 |
| Receivables | 1,540 | 307 |
| | **29,919** | **24,686** |
| **Current assets** | | |
| Trade receivables | 21,903 | 21,756 |
| Tax assets | 5,701 | 6,694 |
| Other assets | 405 | 352 |
| Cash and cash equivalents | 2,386 | 1,656 |
| | **30,395** | **30,458** |
| **Total assets** | **60,314** | **55,144** |
| **Equity** | | |
| *- Share capital* | *13,825* | *13,212* |
| *- Share premium provision* | *17,250* | *12,563* |
| *- Legal reserve* | *2,642* | *2,642* |
| *- Other reserves* | *5,996* | *5,978* |
| *- Retained earnings* | *2,858* | *1,470* |
| *- Profit (loss) for the period* | *3,313* | *3,005* |
| **Total equity** | **45,884** | **38,870** |
| **Non-current liabilities** | | |
| Provision for post-employment benefits | 378 | 346 |
| Provisions for risks and charges | 684 | 684 |
| Deferred tax liabilities | 141 | 141 |
| Financial payables | 638 | 217 |
| | **1,841** | **1,388** |
| **Current liabilities** | | |
| Provisions for risks and charges | 27 | 712 |
| Trade and other payables | 7,960 | 10,750 |
| Financial payables | 1,507 | 1,928 |
| Other liabilities | 3,095 | 1,496 |
| | **12,589** | **14,886** |
| **Total liabilities** | **14,430** | **16,274** |
| **Total liabilities + equity** | **60,314** | **55,144** |

## 4.2 INCOME STATEMENT HY1 2016

**Income Statement**

| *(Euro thousands)* | **HY1 2016** | **HY1 2015** |
|---|---|---|
| Revenue from sales and services | 9,926 | 4,838 |
| Other income | 50 | 239 |
| Capitalisation of internally produced animated series | 583 | 528 |
| Raw materials, consumables and goods | (48) | (41) |
| Personnel costs | (698) | (626) |
| Amortisation and impairment of intangible assets | (2,267) | (470) |
| Depreciation and impairment of tangible assets | (57) | (54) |
| Allowance for doubtful debts | (200) | (150) |
| Other operating costs | (2,201) | (3,112) |
| **EBIT** | **5,088** | **1,152** |
| **Net finance income (expenses)** | (160) | 74 |
| **Profit (loss) of the period before tax** | **4,928** | **1,226** |
| Income tax expense | (1,615) | (430) |
| **Net profit (loss) for the period** | **3,313** | **796** |

| | | |
|---|---|---|
| **Earnings (loss) per share (basic and diluted)** | **0.125** | **0.030** |

## 4.3 STATEMENT OF CHANGES IN EQUITY

**Changes in equity HY1 2015**

| *(Euro thousands)* | Share capital | Legal reserve | Retained earnings | Share premium provision | Other reserves | Profit (loss) for the period | Total equity |
|---|---|---|---|---|---|---|---|
| **Financial Statements at 31.12.2014** | **13,212** | **2,642** | **-** | **13,599** | **(1,069)** | **1,470** | **29,854** |
| *Transactions with shareholders recognised in equity:* | | | | | | | |
| Dividend distribution as Mondo TV Suisse shares | - | - | - | (15) | - | - | (15) |
| *Items of comprehensive income for the year:* | | | | | | | |
| *Shareholders' Meeting of 17 March 2015* | | | | (1,021) | 1,021 | | |
| Allocation of profit (loss) for the year 2014 | - | - | 1,470 | - | - | (1,470) | - |
| Disposal of shares of subsidiaries | - | - | - | | 3849 | - | 3,849 |
| Profit for the period | - | - | - | - | - | 796 | 796 |
| **Financial Statements at 30.06.2015** | **13,212** | **2,642** | **1,470** | **12,563** | **3,801** | **796** | **34,484** |

**Changes in equity HY1 2016**

| *(Euro thousands)* | Share capital | Legal reserve | Retained earnings (losses) | Share premium provision | Other reserves | Profit (loss) for the period | Total equity |
|---|---|---|---|---|---|---|---|
| **Financial Statements at 31.12.2015** | **13,212** | **2,642** | **1,470** | **12,563** | **5,978** | **3,005** | **38,870** |
| *Transactions with shareholders recognised in equity:* | | | | | | | |
| GEM capital increase | 613 | - | - | 4,687 | (638) | - | 4,662 |
| Dividends | | | (1,106) | | | | (1,106) |
| *Items of comprehensive income for the year:* | | | | | | | - |
| Allocation of profit (loss) for the year 2015 | - | - | 2,494 | | 511 | (3,005) | - |
| Disposal of shares of subsidiaries | | | | | 145 | | 145 |
| Result for the period | - | - | - | - | - | 3,313 | 3,313 |
| **Financial Statements at 30.06.2016** | **13,825** | **2,642** | **2,858** | **17,250** | **5,996** | **3,313** | **45,884** |

## 4.4 STATEMENT OF CASH FLOWS

| Cash flow statement | | |
|---|---|---|
| **(Euro thousands)** | **HY1 2016** | **HY1 2015** |
| **A. OPENING CASH AND CASH EQUIVALENTS** | 1,656 | 223 |
| Result for the period | 3,313 | 796 |
| Depreciation, amortisation and impairment | 2,524 | 674 |
| Net change in provisions | (653) | (8) |
| Economic effect of deferred taxes | 0 | 0 |
| **Cash flow from (used in) operating activities before changes in working capital** | 5,184 | 1,462 |
| (Increase) decrease in trade and other receivables | (347) | (2,074) |
| (Increase) decrease in tax assets | 2,076 | 1,067 |
| (Increase) decrease in other assets | (53) | 70 |
| Increase (decrease) in trade payables | (2,790) | 1,197 |
| Increase (decrease) in tax liabilities | 0 | (38) |
| Income tax expense | 0 | 0 |
| Increase (decrease) in other liabilities | 1,599 | 79 |
| **B. NET CASH FROM (USED IN) OPERATING ACTIVITIES** | 5,669 | 1,763 |
| (Acquisition) / Disposal of | | |
| - Intangible assets | (6,884) | (3,470) |
| - Tangible assets | (32) | (125) |
| - Financial assets | (491) | 103 |
| **C. NET CASH FROM (USED IN) INVESTING ACTIVITIES** | (7,407) | (3,492) |
| Changes in capital | 3,701 | 3,834 |
| (Increase) decrease in financial receivables and securities | (1,233) | 0 |
| Increase (decrease) in financial payables | 0 | (507) |
| **D. NET CASH FROM (USED IN) FINANCING ACTIVITIES** | 2,468 | 3,327 |
| **E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)** | 730 | 1,598 |
| **F. CLOSING CASH AND CASH EQUIVALENTS** | 2,386 | 1,821 |

## 4.5 NET FINANCIAL POSITION

| Net financial position | | |
|---|---|---|
| *(Euro thousands)* | **30.06.2016** | **31.12.2015** |
| Cash and cash equivalents | 2,386 | 1,656 |
| Short-term financial payables | (1,507) | (1,928) |
| **Short-term net financial position (debt)** | **879** | **(272)** |
| Long-term financial receivables | 1,540 | 307 |
| Medium/long-term portion of loans payable | (638) | (217) |
| **Medium/long-term net financial position (debt)** | **902** | **90** |
| **Net financial position** | **1,781** | **(182)** |

**Certification of the condensed half-year consolidated financial statements as at 30 June 2016 in compliance with article 154-bis, paragraph 5 of Legislative Decree no. 58/1998 as subsequently amended and supplemented**

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

- the adequacy in relation to the characteristics of the company, and
- the effective implementation of the administrative and accounting procedures for the preparation of the condensed half-year consolidated financial statements as at 30 June 2016.

2. No significant aspects have emerged.

3. It is also certified that:

3.1 the condensed half-year consolidated financial statements:

- have been prepared in accordance with the International Accounting and Financial Reporting Standards adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of 19 July 2002 and in particular IAS 34 - Interim Financial Reporting, as well as the regulations implementing article 9 of Legislative Decree 38/2005;
- are consistent with the entries in accounting books and records;
- were drafted in compliance with art. 154-ter of the above-mentioned Italian Legislative Decree 58/1998 as subsequently amended and supplemented, and provide a true and fair view of the financial position, financial performance and cash flows of the Issuer and of the companies included in the scope of consolidation.

3.2 The interim report on operations to the condensed half-year consolidated financial statements as at 30 June 2016 includes a reliable analysis of events occurred in HY1 and their impact on the condensed half-year consolidated financial statements, as well as a description of the main risks and uncertainties to which the Group is exposed for the remaining six months of the year. The interim report on operations also contains a reliable analysis of disclosures on significant transactions with related parties.

This certification is also provided to the intents and purposes of article 154-bis, paragraph 2, of Legislative Decree 58 of 24 February 1998.

30 September 2016

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CEO
Matteo Corradi

Head of Financial Reporting
Carlo Marchetti