INTERIM REPORT ON OPERATIONS

Q3 2019

APPROVED BY THE BOARD OF DIRECTORS ON 14 NOVEMBER 2019

SUMMARY

ANNEXES

1. HIGHLIGHTS

Reclassified condensed consolidated income statement		
(Euro thousands)	**9M 2019**	**9M 2018**
Revenues	16,661	20,256
Capitalisation of internally produced animated series	2,642	1,924
Operating costs	(7,402)	(6,083)
EBITDA	**11,901**	**16,097**
Amortisation and depreciation, impairment, and provisions	(7,072)	(5,855)
EBIT	**4,829**	**10,242**
Net finance income (expenses)	(200)	272
Profit (loss) of the period before tax	**4,629**	**10,514**
Income tax expense	(1,748)	(3,242)
Net profit (loss) for the period	**2,881**	**7,272**
Profit (loss) for the year attributable to non-controlling interests	(147)	(390)
Profit (loss) attributable to owners of the Parent	**3,028**	**7,662**

Reclassified condensed consolidated statement of financial position		
(Euro thousands)	**30.09.2019**	**31.12.2018**
Non-current fixed assets	**53,331**	**45,997**
Current assets	33,850	24,771
Current liabilities	(26,347)	(22,137)
Net working capital	**7,503**	**2,634**
Non-current liabilities	**(575)**	**(611)**
Invested capital	**60,259**	**48,020**
Net financial position	(72)	8,065
Shareholders' equity	**60,187**	**56,110**
Non-controlling interests	(6)	(2,071)
Equity attributable to owners of the Parent	**60,193**	**58,181**

Consolidated cash flow statement			
(Euro thousands)	9M 2019	9M 2018	Change
A. OPENING CASH AND CASH EQUIVALENTS	12,463	2,408	10,055
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	5,949	3,092	2,857
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(15,282)	(12,804)	(2,478)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	6,229	23,037	(16,808)
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(3,104)	13,325	(16,429)
F. CLOSING CASH AND CASH EQUIVALENTS	9,359	15,733	(6,374)

2. INTRODUCTION

2.1 General and methodological introduction

This interim report on the Group's operations in the third quarter of 2019 is on a consolidated basis and has been prepared in accordance with article 154-ter, paragraph 5 of Legislative Decree 58/1998 (CFA), as amended by Legislative Decree 195/2007, which implemented Directive 2004/109/EC (Transparency Directive) and takes into account the communication from CONSOB, the accounting rules office, dated 30.4.2008.

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

The income statement figures are shown with reference to the nine months of the current year 2019 and are compared to the corresponding period of the previous year 2018.
The net financial position figures are compared with the closing figures for the previous year (31.12.2018).
All economic and financial figures are provided on a consolidated basis and are shown in Euro thousands.

The interim report on operations has not been audited.

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

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

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

ANNEXES

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

2.2 Accounting standards and measurement bases

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

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

The valuation of financial statement items was based on general prudence and accrual criteria, on a going concern basis.
Application of the principle of prudence has resulted in the individual valuation of the elements making up the individual items or items of assets and liabilities, in order to avoid offsetting losses that should have been recognised with unrealised gains.
In compliance with the accrual principle, the effect of transactions and other events was accounted for and allocated to the period to which such transactions and events refer, and not to the period in which the related cash movements (collections and payments) take place.
The consolidation principles, accounting standards, measurement criteria and estimates adopted are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2018, to which reference is made for completeness.

2.3 Consolidation scope and criteria

The financial statements of the consolidated companies as submitted by their respective Boards of Directors, have been used to prepare the interim report on operations at 30 September 2019. The financial statements prepared by the subsidiaries have been adjusted, where necessary, by the Parent Company to make them adherent to the IFRS.

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

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

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

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

2.4 Estimated figures

The preparation of this consolidated interim report on operations 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.

3. STATEMENTS OF QUANTITATIVE FIGURES

3.1 Statement of financial position at 30 September 2019 and comparisons with 2018

Statement of financial position

(Euro thousands)	**30/09/2019**	**31/12/2018**
Non-current assets		
- Intangible rights	*37,777*	*30,888*
- Other intangible assets	*42*	*29*
Intangible assets	37,819	30,917
Tangible assets	330	369
Rights of use on leased assets	1,422	0
Deferred tax assets	13,715	14,680
Receivables	45	31
	53,331	**45,997**
Current assets		
Trade receivables	30,293	20,622
Tax assets	3,106	3,688
Other assets	451	462
Cash and cash equivalents	9,359	12,463
	43,209	**37,235**
Total assets	**96,540**	**83,232**
- Share capital	*18,207*	*18,207*
- Share premium provision	*30,778*	*45,868*
- Legal reserve	*3,062*	*3,062*
- Other reserves	*8,607*	*9,774*
- Retained earnings (losses)	*(3,489)*	*20,784*
- Profit (loss) for the year	*3,028*	*(39,514)*
Equity attributable to owners of the Parent	60,193	58,181
Non-controlling interests	(6)	(2,071)
Total equity	**60,187**	**56,110**
Non-current liabilities		
Provision for post-employment benefits	509	545
Deferred tax liabilities	66	66
Financial payables	3,089	1,322
Non-current financial payables on leased assets	1,032	0
	4,696	**1,933**
Current liabilities		
Provisions for risks and charges	27	27
Trade payables	24,996	21,631
Financial payables	4,685	3,007
Current financial payables on leased assets	625	69
Tax liabilities	1,324	455
	31,657	**25,189**
Total liabilities	**36,353**	**27,122**
Total liabilities + equity	**96,540**	**83,232**

3.2 Changes in the Group's net financial position

Consolidated net financial position		
(Euro thousands)	**30.09.2019**	**31.12.2018**
Cash and cash equivalents	9,359	12,463
Current financial payables due to banks	(4,685)	(3,007)
Financial payables for IFRS 16 application	(625)	(69)
Net current financial position	**4,049**	**9,387**
Financial payables for IFRS 16 application	(1,032)	0
Non-current payables due to banks	(3,089)	(1,322)
Net non-current financial position	**(4,121)**	**(1,322)**
Net financial debt as per comm. Consob DEM/6064293	**(72)**	**8,065**
Non-current receivables due from third parties	0	0
Consolidated net financial position	**(72)**	**8,065**

3.3 Analysis of changes in intangible assets

Changes in intangible assets				
(Euro thousands)	**Intangible rights**	**Intangible rights in progress**	**Other intangible assets**	**TOTAL**
Cost as at 31/12/2017	184,114	12,407	1,232	197,753
Amortisation and impairment as at 31/12/2017	(152,385)		(1,220)	(153,605)
Net value 31/12/2017	**31,729**	**12,407**	**12**	**44,148**
Year 2018				
Increases in the period	28,451		19	28,470
Amortisation and impairment in the period	(41,699)		(2)	(41,701)
Reclassifications	12,407	(12,407)		0
Cost as at 31/12/2018	212,565	0	1,251	213,816
Amortisation and impairment as at 31/12/2018	(181,677)		(1,222)	(182,899)
Net value 31/12/2018	**30,888**	**0**	**29**	**30,917**
9M 2019				
Increases in the period	13,376		13	13,389
Amortisation and impairment in the period	(6,487)			(6,487)
Reclassifications				0
Cost as at 30/09/2019	225,941	0	1,264	227,205
Amortisation and impairment as at 30/09/2019	(188,164)		(1,222)	(189,386)
Net value 30/09/2019	**37,777**	**0**	**42**	**37,819**

Investments in the third quarter of 2019 mainly related to the animated series *"Robot Trains", "Invention Story"* "Bat Pat" and "Meteo Heroes" by the Parent Company and "Rocky Kwaternaire" by Mondo Tv France.

3.4 Economic position 9M and Q3 2019

Separate income statement		
(Euro thousands)	**9M 2019**	**9M 2018**
Revenue from sales and services	16,633	20,252
Other income	28	4
Capitalisation of internally produced animated series	2,642	1,924
Raw materials, consumables and goods	(32)	(52)
Personnel costs	(2,963)	(2,809)
Amortisation and impairment of intangible assets	(6,487)	(5,016)
Depreciation and impairment of tangible assets	(97)	(89)
Amortisation of rights of use	(413)	0
Allowance for doubtful debts	(75)	(750)
Other operating costs	(4,407)	(3,223)
EBIT	**4,829**	**10,241**
Financial income (expenses)	(200)	272
Profit (loss) of the period before tax	**4,629**	**10,513**
Income tax expense	(1,748)	(3,241)
Net profit for the period	**2,881**	**7,272**
Profit (loss) for the year attributable to non-controlling interests	(147)	(390)
Profit (loss) attributable to owners of the Parent	**3,028**	**7,662**

Consolidated income statement		
(Euro thousands)	**Q3 2019**	**Q3 2018**
Revenues	5,658	4,125
Capitalisation of internally produced animated series	858	794
Operating costs	(2,373)	(1,758)
EBITDA	**4,143**	**3,161**
Amortisation and depreciation, impairment, and provisions	(2,576)	(1,874)
EBIT	**1,567**	**1,287**
Net finance income (expenses)	(122)	(225)
Profit (loss) of the period before tax	**1,445**	**1,062**
Income tax expense	(595)	(418)
Profit (loss) for the year	**850**	**644**
Profit (loss) for the year attributable to non-controlling interests	(157)	(208)
Profit (loss) attributable to owners of the Parent	**1,007**	**852**

The third quarter of 2019 is significantly better than the third quarter of 2018 in terms of both sales and the various margins (Ebitda, EBIT and Net Income).

3.5 Cash flow statement 9M

Consolidated cash flow statement		
(Euro thousands)	**9M 2019**	**9M 2018**
A. OPENING CASH AND CASH EQUIVALENTS	**12,463**	**2,408**
Group profit (loss) of the period	3,028	7,662
Profit (loss) for the year attributable to non-controlling interests	(147)	(390)
Total profit (loss) of the period	2,881	7,272
Depreciation, amortisation and impairment	7,072	5,855
Net change in provisions	(36)	54
Cash flow from (used in) operating activities before changes in working capital	**9,917**	**13,181**
(Increase) decrease in trade receivables	(9,760)	(17,936)
(Increase) decrease in tax assets	1,547	3,492
(Increase) decrease in other assets	11	(137)
Increase (decrease) in trade payables	3,365	6,579
Increase (decrease) in tax liabilities	869	1,501
Increase (decrease) in other liabilities	0	(3,588)
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	**5,949**	**3,092**
(Acquisition) / Disposal of		
- Intangible assets	(13,389)	(12,718)
- Tangible assets	(58)	(86)
- Rights of use on leased assets	(1,835)	0
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(15,282)**	**(12,804)**
Changes in capital	1,196	20,835
Increase (decrease) in financial payables	5,033	2,202
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	**6,229**	**23,037**
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	**(3,104)**	**13,325**
F. CLOSING CASH AND CASH EQUIVALENTS	**9,359**	**15,733**

4. EXPLANATORY AND SUPPLEMENTARY NOTES

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

The following table represents the nine months of 2019 compared to the corresponding period in 2018:

Reclassified condensed consolidated income statement		
(Euro thousands)	**9M 2019**	**9M 2018**
Revenues	16,661	20,256
Capitalisation of internally produced animated series	2,642	1,924
Operating costs	(7,402)	(6,083)
EBITDA	**11,901**	**16,097**
Amortisation and depreciation, impairment, and provisions	(7,072)	(5,855)
EBIT	**4,829**	**10,242**
Net finance income (expenses)	(200)	272
Profit (loss) of the period before tax	**4,629**	**10,514**
Income tax expense	(1,748)	(3,242)
Net profit (loss) for the period	**2,881**	**7,272**
Profit (loss) for the year attributable to non-controlling interests	(147)	(390)
Profit (loss) attributable to owners of the Parent	**3,028**	**7,662**

Compared to the corresponding period of 2018, there was a decrease in revenue of approximately Euro 3.6 million in absolute terms and approximately 18% in percentage terms, mainly as a result of the termination of certain sales contracts with Asian customers at the end of the previous year, which ended with a significant loss.
It should be noted that the new business plan, approved by the Board of Directors of the Parent Company in December 2018, envisages lower revenues but also a lower overall level of investments and for 2019 a net profit of approximately Euro 4 million.

Third quarter 2019 revenues were primarily derived from sales related to the animated series Yoohoo and Friends, Meteo Heroes, Bat Pat, Invention Story, Robot Trains and Rocky Kwaternaire.

The capitalisation of internally produced animated series mainly refers to the productions of the Parent Company and Mondo TV France and was Euro 2.6 million (Euro 1.9 million in the corresponding period of 2018), with an increase attributable to the subsidiary Mondo TV France.

Operating costs increased by approximately Euro 1.3 million, mainly due to higher production costs of the subsidiary Mondo Tv France.

EBITDA increased from Euro 16.1 million for the 9M of 2018 to Euro 11.9 million for the 9M of 2019, a decrease of Euro 4.2 million due to lower revenues following as outlined above.

The operating result after amortisation, depreciation, impairment and provisions (Euro 7.1 million, compared to Euro 5.9 million in the corresponding period of 2018) is positive for Euro 4.8 million, compared to Euro 10.2 million of the corresponding period in 2018, with a decrease of approximately Euro 5.4 million.

There were net financial expenses of Euro 0.2 million in the 9M compared to net financial income of Euro 0.3 million in the 9M of 2018; the change of Euro 0.5 million was due to the exchange rate trend.

Group net profit for the period was Euro 3 million compared to Euro 7.7 million in 9M 2018, down Euro 4.7 million and in line with as envisaged in the business plan.

The net financial position went from net cash of Euro 8.1 million to a net position of essentially zero at 30 September 2019; the accounting figure is negatively impacted by the introduction of the new accounting standard IFRS 16, which extends the same accounting treatment to operating leases as to financial leases, resulting in higher debt of Euro 1.7 million at 30 September 2019 as a result of the change in standard.
Cash and cash equivalents amounted to Euro 9.4 million at 30 September 2019, sufficient to support the Group's ongoing business plan for both working capital and capital expenditure.
The current net financial position (within 12 months) is positive by Euro 4 million.

Group equity went from Euro 58.2 million at 31 December 2018 to Euro 60.2 million at 30 September 2019 mainly due to the positive result for the 9M.

4.2 Significant events and transactions in Q3 2019 and their impact on the Group's financial and economic position

During the quarter, the Group continued to develop the business both in terms of production and the sale of rights; in particular, after the conclusion of the second season of Robot Trains on 4 July, an agreement was announced with the Korean company CJ, one of the most important media companies in South Korea, for the production of the third season of the animated series Robot Trains.

Also in July, an agreement was reached with the Korean company Vooz for the production of the animated series Goodoil Family.
In July, the subsidiary Mondo TV France S.A. requested the issue of the last 3 tranches of Atlas convertible bonds for a total counter-value of Euro 750 thousand, which will be fully converted into shares in the quarter.

The subsidiary Mondo TV Iberoamérica launched a capital increase of Euro 3.5 million in September, with the aim of restoring equity and financial equilibrium and allowing the development of its business plan through new investments; this capital increase was concluded in October with the full subscription of the new shares.
There were no further developments during the quarter or in the period after the end of the period in relation to the tax audit by the Revenue Agency concerning the use of the tax credit deriving from the transformation of deferred tax assets, other than as already reported in the half-year consolidated financial report.

4.3 Events after period-end and outlook for the year

After the end of the period, development of the animated series Agent 203 and four further projects was begun in collaboration with the German company Toon2 Tango, with which the Mondo Tv Group concluded a strategic collaboration agreement in June for the development, production and distribution of animated series.

On behalf of the Board of Directors
Chief Executive Officer

(Matteo Corradi)

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

The company's head of financial reporting, Carlo Marchetti, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Finance Act, that the information contained in this document "Interim Report on Operations Q3 2019" corresponds to the document results, accounting books and records.

Head of Financial Reporting
Carlo Marchetti

3. ANNEXES

3.1 PARENT COMPANY CONDENSED FINANCIAL STATEMENTS

Mondo TV S.p.A. condensed statement of financial position		
(Euro thousands)	**30.09.2019**	**31.12.2018**
Non-current fixed assets	**55,279**	**44,865**
Current assets	27,398	21,379
Current liabilities	(22,900)	(19,669)
Net working capital	**4,498**	**1,710**
Non-current liabilities	**(3,569)**	**(3,605)**
Invested capital	**56,208**	**42,970**
Net financial position	7,257	16,497
Shareholders’ equity	**63,465**	**59,467**

Mondo TV S.p.A. condensed income statement		
(Euro thousands)	**9M 2019**	**9M 2018**
Revenues	12,691	18,526
Capitalisation of internally produced animated series	793	818
Operating costs	(3,336)	(3,238)
EBITDA	**10,148**	**16,106**
Amortisation and depreciation, impairment, and provisions	(5,266)	(5,204)
EBIT	**4,882**	**10,902**
Net finance income (expenses)	48	412
Profit (loss) of the period before tax	**4,930**	**11,314**
Income tax expense	(1,503)	(3,282)
Profit (loss) for the year	**3,427**	**8,032**

3.2 CORPORATE BODIES OF THE PARENT

Board of Directors[1]

Chair and CEO
Matteo Corradi
Directors
Monica Corradi
Aurelio Fedele[2]
Angelica Mola[3]
Carlo Marchetti

Internal Control Committee

Chair
Aurelio Fedele
Members
Angelica Mola

Remuneration Committee

Chair
Angelica Mola
Members
Aurelio Fedele

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

Banca Finnat

[1] In office until the approval of the financial statements at 31.12.2020
[2] Independent Director
[3] Independent Director
[4] In office until the approval of the financial statements at 31.12.2019
[5] Assignment for nine financial years, until the approval of the financial statements at 31.12.2023

3.3 CORPORATE BODIES OF THE SUBSIDIARIES

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