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

Mondo TV S.p.A.

Share Capital Euro 18,207,106 - fully paid-in

Registered office	**Via Brenta, 11 - Rome**
Other offices	**Via Montenero, 42 - 44 - Guidonia (RM)** **Via Melchiorre Gioia, 72 - Milan** **52, Rue Gerard - 75013 Paris (France)** **Calle Alvarez de Baena, 4 Pt 4A - Madrid (Spain)** **Via Crocicchio Cortogna, 6 - Lugano (Switzerland)** **Calle Cruz Verde, 22 - Tenerife (Canary Islands, Spain)**

Annual Financial Report as at 31 December 2018

Draft: Board of Directors' Meeting of 29 March 2019
Approved: Shareholders' Meeting of 30 April 2019

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BOARD OF DIRECTORS (1)

Chair and CEO	Matteo Corradi
Directors	Monica Corradi Carlo Marchetti Aurelio Fedele (Independent) Angelica Mola (Independent)

BOARD OF STATUTORY AUDITORS (2)

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

INDEPENDENT AUDITORS (3)

BDO Italia S.p.A.

Other bodies of the Parent Company:

Internal Control and Audit Committee
Aurelio Fedele - Chair
Angelica Mola - Member

Supervisory Body (Legislative Decree 231/2001)
Aurelio Fedele - Chair
Paolo Zecca - Member
Samantha Gioia Perri - Member

(1) The Board of Directors was appointed by the Shareholders' Meeting of 30 April 2018 until the approval of the financial statements as at 31 December 2020.

(2) Appointed by the Shareholders' Meeting held on 29 April 2017 and in office until approval of the financial statements as at 31 December 2019.

(3) Appointed by the Shareholders' Meeting held on 30 April 2015 and in office until approval of the financial statements as at 31 December 2023.

GENERAL COMMENTARY

Shareholders,

The Annual and Consolidated financial statements of Mondo TV S.p.A. (Group or Mondo TV Group) as at 31 December 2018, which we submit for your examination and approval, have been prepared in accordance with International Financial Reporting Standards (IFRS).
This report has been prepared in accordance with art. 2428 of the Italian Civil Code; it provides the most significant information on the economic, equity, financial situation and management of Mondo TV S.p.A. and the Group, as defined below.
For the purpose of preparing the annual and consolidated financial statements, Mondo TV S.p.A. has exercised the option granted by current legislation on financial statements, of presenting a single report on operations that accompanies both the individual and consolidated financial statements of the Parent, giving more prominence, unless otherwise indicated, to the phenomena at Group level.

Consolidated results

Compared to the 2017 financial year, the decrease in revenue of Euro 13.1 million in absolute terms and approximately 40% in percentage terms was mainly attributable to the termination of contracts for certain production and sales of the Parent Company by four Asian customers in the second half of the year.

In particular, the main customer of the "Rowly Powlys" and "Dee and Duh" animated series, a few weeks after the passing away on 07 November 2018 of Orlando Corradi, founder of the company and creator and artistic and creative director of these series, made the decision to abandon the aforementioned projects.
In the second half of November, three important Asian customers formally communicated their intention to significantly review their investments in the "Naraka", "Final Fight", "Play Time Buddies", "Beast Keepers", "Partidei" and "Adventures in Duckport" projects, also as a result of the difficulties that have emerged in their reference markets in relation to the exploitation of these products.

For further details, reference should be made to the paragraph on "Relations with the parent company's main customers and effects on the financial statements" in the section on significant events during the year contained in this Report.

The capitalisation of internally produced animated series mainly refers to the productions of the Parent Company and to a lesser extent, of Mondo TV France, and was Euro 2.7 million (Euro 1.4 million in 2017); the increase is due to the greater progress of the subsidiary's productions.

Operating costs increased by Euro 1.5 million, mainly due to increased production by Mondo TV France.

The Gross Operating Margin went from Euro 25.1 million in 2017 to Euro 11.1 million in 2018, a decrease of Euro 14 million; this decrease of 55% was mainly determined by the unexpected and significant decrease in revenues due to the termination of the contracts with Asian customers described above.

The termination of contracts of Asian customers, together with other minor difficult situations, resulted in asset impairments totalling approximately Euro 57 million at consolidated level. These value adjustments concerned:

- the library for approximately Euro 33 million, with the substantial adjustment of the value of investments already made in the current and previous years;
- trade receivables mainly arising from pre-sales made on these projects for a total amount of approximately Euro 24 million.

In light of the foregoing, the operating result after amortization, depreciation, impairment and provisions (Euro 65.7 million, compared to Euro 7.5 million in 2017) is negative for Euro 54.5 million, compared to Euro 17.6 million operating profit in 2017, with a decrease of Euro 72.1 million in absolute terms.

In 2018, the financial management is positive for Euro 0.5 million, against a negative result of Euro 2.2 million in 2017, determined mainly by foreign exchange gains following the strengthening of the US dollar with respect to the Euro that was recorded in 2018.

After the positive tax effect of Euro 11.5 million (negative for Euro 3.1 million in 2017), the Group's net loss stood at Euro 39.5 million compared to a net profit of Euro 12.8 million in the previous year, a change of Euro 52.3 million in absolute terms.

The net financial position showed net cash of Euro 8.1 million, above all due to the extraordinary finance transaction with Atlas during the year (for further information, reference is made to the paragraph dedicated to Significant events in 2018), compared to Euro 1.8 million net debt at 31 December 2017.

The Group's shareholders' equity went from Euro 77.1 million at 31 December 2017 to Euro 58.2 million at 31 December 2018 mainly due to the loss for the year of Euro 39.5 million and the extraordinary finance transaction mentioned above (Euro 20.3 million).

Results of the Parent Company

Compared to the 2017 financial year, the decrease in revenues amounted to Euro 12.7 million in absolute terms and approximately 44% in percentage terms and is mainly attributable to the difficulties encountered with Asian customers already set out in the commentary to the consolidated financial statements to which reference should be made.

The capitalisation of internally produced animated series was Euro 1.1 million (Euro 1.1 million in 2017).

Operating costs remain stable at Euro 6.4 million (Euro 6.3 million in 2017).

The Gross Operating Margin went from Euro 23.7 million in 2017 to Euro 11.0 million in 2018, a decrease of Euro 12.7 million; the decrease of 54% was mainly due to the lower volume of revenues compared to 2017.

The termination of contracts of Asian customers, together with other minor difficult situations, resulted in asset impairments totalling approximately Euro 51.4 million. These value adjustments concerned:

- the library for approximately Euro 28.3 million, with the substantial adjustment of the value of investments already made in the current and previous years;
- trade receivables mainly arising from pre-sales made on these projects for a total amount of approximately Euro 23.1 million.

In light of the foregoing, the operating result after depreciation, amortisation, impairment and provisions of Euro 59.2 million (Euro 6.1 million in 2017) was negative for Euro 48.3 million, compared to Euro 17.6 million operating profit in 2017, with a decrease of Euro 65.8 million in absolute terms.

In 2018, the financial management was negative for Euro 1.8 million, against a negative result of Euro 1.9 million in 2017, determined mainly by the value adjustment of the investment in Mondo TV Iberoamerica for Euro 2.2 million.

After the positive tax effect of Euro 11.4 million (Euro 2.9 million of tax expenses in 2017), there was a net loss for the year of Euro 38.7 million compared to Euro 12.9 million profit in the previous year.

The net financial position showed net cash of Euro 16.5 million (of which Euro 5.2 million represented by medium to long-term financial receivables from subsidiaries), also due to the extraordinary finance transaction during the year with Atlas (for further information, reference is made to the paragraph dedicated to Significant events in 2018), compared to net cash of Euro 4.9 million at 31 December 2017.

The shareholders' equity of Mondo TV S.p.A. went from Euro 77.3 million at 31 December 2017 to Euro 59.5 million at 31 December 2018 mainly due to the loss for the year of Euro 38.7 million and the extraordinary finance transaction mentioned above (Euro 20.3 million).

DESCRIPTION OF THE COMPANY'S OPERATING CONDITIONS

The Group has historically been operating in the business of producing and marketing television series and full-length animated movies. For more than five years now, the Company has been focusing on sectors related with its core business, chief among them, especially in perspective, the exploitation of its rights for merchandising purposes. Moreover, starting from the previous year, the Group and in particular the Parent Mondo TV S.p.A. has changed its production and sales strategy, focusing efforts and investments mainly on new productions with high licensing potential, co-produced with third parties, and on the distribution of third-party libraries.

The economic context of reference in 2018 was characterized by a slight recovery. However, the persistence of the weak advertising sales continued to adversely affect the volume of new investments by general television and sales of licensing and merchandising, especially in Europe, while there is a recovery of interest for the creation of new productions.
The economic crisis of the past years has led to a selection of operators, for which interesting prospects open up for companies today still on the market.

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

The Parent **Mondo TV S.p.A.** emphasised its vocation as a 'strongbox', dedicated to the creation and, to a lesser extent, the acquisition of rights that could be exploited in both the television sector and in the diversified field of ancillary and related rights (licensing and merchandising).

Mondo TV France S.A. produces and coproduces animated television series for French broadcasters and, from a strategic point of view, allows the Mondo TV Group to expand its operations to France and French-speaking countries. The company is listed at the AIM Italy - Alternative Capital Market (hereinafter, "AIM Italy") organised and managed by Borsa Italiana S.p.A. (Italian Stock Exchange); the percentage of investment of Mondo TV S.p.A. at 31 December 2018 was approximately 23%.
The subsidiary closed the 2018 financial year with a loss of Euro 452 thousand and shareholders' equity of Euro 1,095 thousand.

Mondo TV Suisse S.A. realises productions and co-productions of animated television series for customers in the USA, the Middle East, Asia and Russia.
Of particular note, among others, is the agreement with Aurora and Netflix for the production of the animated series Yoohoo and Friends.
The company is listed at the AIM Italy - Alternative Capital Market (hereinafter, "AIM Italy") organised and managed by Borsa Italiana S.p.A. (Italian Stock Exchange). The percentage of investment of Mondo TV S.p.A. at 31 December 2018 was approximately 56%.
The subsidiary ended the 2018 financial year with a profit of CHF 420 thousand and shareholders' equity of CHF 1,090 thousand

The mission of **Mondo TV Iberoamerica S.A.** is to sell the television rights of the Group's Library in Spain, Portugal, and South America, and to produce and coproduce animated television series in Spanish and Portuguese for TV broadcasters. The company was listed in 2016 on the Mercato Alternativo Bursatil (MAB) on the Madrid Stock Exchange. The percentage of investment of Mondo TV S.p.A. at 31 December 2018 was 71%.
The subsidiary closed the 2018 financial year with a loss of Euro 3,476 thousand and negative shareholders' equity of Euro 1,499 thousand.

Mondo TV Toys S.A., incorporated by the Parent Company in the first half of 2016, was placed in voluntary liquidation on 26 June 2017. The percentage of investment of Mondo TV S.p.A. is 100%.
The liquidation phase was completed as at 30 June 2018 and the cancellation of the company from the register of companies is pending.

Mondo TV Producciones Canarias S.L.U. also incorporated in 2016, is aimed at the realisation of specific phases of production of animated series and, more generally, of television productions. The percentage of investment of Mondo TV S.p.A., through Mondo TV Iberoamerica S.A., which holds 100% of the share capital, is 71%.
The subsidiary closed the 2018 financial year with a loss of Euro 2,709 thousand and negative shareholders' equity of Euro 2,443 thousand.

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

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

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

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

The Group is developing the strategic line already traced in the previous years that envisages:

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

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

KEY DATA OF THE GROUP AND PARENT COMPANY

MONDO TV GROUP

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

Reclassified condensed consolidated statement of financial position		
(Euro thousands)	**31.12.2018**	**31.12.2017**
Non-current fixed assets	**45,997**	**47,765**
Current assets	24,771	51,200
Current liabilities	(22,137)	(18,985)
Net working capital	**2,634**	**32,215**
Non-current liabilities	**(611)**	**(482)**
Invested capital	**48,020**	**79,498**
Net financial position	8,065	(1,789)
Shareholders' equity	**56,110**	**77,709**
Non-controlling interests	(2,071)	569
Equity attributable to owners of the Parent	**58,181**	**77,140**

Reclassified condensed consolidated income statement		
(Euro thousands)	**2018**	**2017**
Revenues	19,498	32,593
Capitalisation of internally produced animated series	2,701	1,405
Operating costs	(11,004)	(8,938)
EBITDA	**11,195**	**25,061**
Amortisation and depreciation, impairment, and provisions	(65,720)	(7,496)
EBIT	**(54,525)**	**17,564**
Net finance income (expenses)	507	(2,154)
Profit (loss) of the period before tax	**(54,018)**	**15,410**
Income tax expense	11,513	(3,116)
Net profit (loss) for the period	**(42,505)**	**12,294**
Profit (loss) for the year attributable to non-controlling interests	(2,991)	(523)
Profit (loss) attributable to owners of the Parent	**(39,514)**	**12,817**

Consolidated net financial position		
(Euro thousands)	**31.12.2018**	**31.12.2017**
Cash and cash equivalents	12,463	2,408
Current financial payables due to banks	(3,076)	(3,611)
Net current financial position	**9,387**	**(1,203)**
Payables for convertible bonds	0	(330)
Non-current payables due to banks	(1,322)	(418)

Net non-current financial position	**(1,322)**	**(748)**
Net financial debt as per comm. Consob DEM/6064293	**8,065**	**(1,951)**
Non-current receivables due from third parties	0	162
Consolidated net financial position	**8,065**	**(1,789)**

Financial ratios		
	2018	**2017**
ROI (EBIT / invested capital)	-114%	22%
ROS (EBIT / revenue)	-280%	54%
ROE (profit for the year / equity of the Group)	-68%	17%
Equity to non-current assets ratio (cons. equity+equity / NCA)	1.21	1.64
NFP / equity	-0.14	0.02

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

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

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

The indexes outlined above show a substantial economic and financial improvement compared to the previous year.

MONDO TV S.P.A. PARENT

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

Condensed statement of financial position		
(Euro thousands)	**31.12.2018**	**31.12.2017**
Non-current fixed assets	**44,865**	**42,743**
Current assets	21,379	48,224
Current liabilities	(19,669)	(17,402)
Net working capital	**1,710**	**30,822**
Non-current liabilities	**(3,605)**	**(1,244)**
Invested capital	**42,970**	**72,321**
Net financial position	16,497	4,933
Shareholders' equity	**59,467**	**77,254**

Condensed statement of comprehensive income		
(Euro thousands)	**2018**	**2017**
Revenues	16,267	28,941
Capitalisation of internally produced animated series	1,087	1,119
Operating costs	(6,396)	(6,332)
EBITDA	**10,958**	**23,728**
Amortisation and depreciation, impairment, and provisions	(59,208)	(6,144)
EBIT	**(48,250)**	**17,584**
Net finance income (expenses)	(1,843)	(1,861)
Profit (loss) of the period before tax	**(50,093)**	**15,723**
Income tax expense	11,393	(2,857)
Profit (loss) for the year	**(38,700)**	**12,866**

Net financial position		
(Euro thousands)	**31.12.2018**	**31.12.2017**
Cash and cash equivalents	11,994	1,276
Current financial receivables	145	1,829
Current financial payables due to banks	(625)	(1,555)
Net current financial position	**11,514**	**1,550**
Non-current payables due to banks	(252)	(418)
Net non-current financial position	**(252)**	**(418)**
Net financial debt as per comm. Consob DEM/6064293	**11,262**	**1,132**
Non-current receivables	5,235	3,801
Net financial position	**16,497**	**4,933**

Financial ratios		
	2018	**2017**
ROI (EBIT/invested capital)	-112%	24%
ROS (EBIT/revenue)	-297%	61%
ROE (profit for the year/equity)	-65%	17%
Equity to non-current assets ratio (cons. equity+equity/NCA)	1.41	1.78

NFP/equity	-0.28	-0.06

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

Fixed assets: the item consists of intangible assets, property, plant and equipment, investments and deferred tax assets.
Current assets: the item consists of trade receivables, tax assets, and other current assets.
Current liabilities: the item consists of trade payables, tax liabilities, and other short-term liabilities and provisions.
Non-current liabilities: the item consists of provisions for risks and charges, deferred tax liabilities, and post-employment benefits.
Net financial position: the item consists of current and non-current financial receivables, cash and cash equivalents, current and non-current financial payables.
Revenues: the item consists of revenues from sales and services and other revenues.
Operating costs: the item consists of costs for consumption of raw materials, consumables and goods, personnel costs and other operating costs.
Amortisation, depreciation, impairment and provisions: the item consists of amortisation and impairment of intangible assets, depreciation and impairment of tangible assets, and the allowance for doubtful debts.
Current financial payables due to banks: these two items are shown as an aggregate in the statutory financial statements; their composition is detailed in note 12 to the annual financial statements.
Non-current payables due to banks: their composition is detailed in note 12 to the annual financial statements.

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

SIGNIFICANT EVENTS OF 2018

INVESTMENTS IN THE LIBRARY

In 2018, 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, Robot Trains, Beastkeepers, Partidei, Sissi, Rowly Powlys, Naraka, Robot Trains and Adventures in Duckport by the Parent Company and Rocky by the subsidiary Mondo TV France.

Investments in Library (Euro thousands)		
Category	**31.12.2018**	**31.12.2017**
Animated series	25,957	13,946
Live series	1,837	3,241
Sub-total of investments in new productions	***27,794***	***17,187***
Temporary licenses – animation	657	384
Temporary licenses – live series	0	1,388
TOTAL	**28,451**	**18,959**

ACQUISITION AND ESTABLISHMENT OF NEW COMPANIES

No new companies were acquired or established in 2018.

SIGNIFICANT EVENTS OF 2018

The following are the significant transactions and events that occurred in 2018.

Extraordinary finance transactions

- On 5 January 2018, the Parent Company Mondo TV sent Atlas Alpha Yield Fund and Atlas Capital Markets a new request for issue under the investment agreement stipulated by the Company with which Atlas has undertaken to subscribe, directly or through a party possibly designated under the Contract, in several tranches and only following specific subscription requests made by the Company, 60 bonds convertible into shares for a value of Euro 250,000 each.
  The subject of the Request was the fourth and last tranche of 12 bonds for a total counter-value of Euro 3,000,000.
  As at the date of this report, the fourth and final tranche of the agreement with Atlas Alpha Yield Fund and Atlas Capital Markets has been fully converted to equity.

- On 18 April 2018, the Mondo TV Board of Directors approved the execution of an investment agreement with Atlas Special Opportunities to issue a new line of convertible bonds for up to Euro 18 million in only 2 tranches of Euro 11 million and Euro 7 million to be called by 2019.
  Mondo TV also issued a global warrant in favour of Atlas, exercisable within five years from the issue date, for the subscription of 450,000 Mondo TV shares at the price of Euro 7.50 per share for a maximum total value of Euro 3,375,000.
  At the date of this report, both tranches of the agreement with Atlas Special Opportunities with a total value of Euro 18 million were called and fully converted into equity.

Trade agreements

- On 20 March 2018, a new agreement was signed between the Parent Company and Henan York for the start of the study phase of the conditions for the realization of a theme amusement park in China by a possible joint venture.
  The company subsequently decided, on the basis of the verifications carried out, not to proceed with the theme park project, withdrawing from the agreement at no additional cost.

- On 19 April 2018, the Parent Company Mondo TV signed an agreement with My Theater D.D., a Tokyo-based company engaged in the production and distribution of cartoons, for Mondo TV to join the group of companies that are producing a new animation series called "Piano no Mori".
  The series, which is in production, has already been acquired by Netflix, which will broadcast it in 190 countries worldwide as already announced on the Internet.
  The series will consist of 24 episodes of 25 minutes each and is based on the property Piano no Mori, the subject of the well-known and eponymous manga comic series.
  With this agreement, Mondo TV acquires a minority but important share in the ownership of the series. In addition, Mondo TV will handle the distribution of the series in Europe, Russia and North Africa, both on the licensing and merchandising side and, once the exploitation period by Netflix is over, on the media side.

- With regard to the subsidiary Mondo TV Iberoamerica, 2018 saw the finalisation of the sale to RAI of the first season of the live series "Heidi Bienvenida a casa"; the series is currently broadcast on RAI Gulp.

Other significant events

- On 8 May 2018, the Rome Provincial Tax Department fully upheld the appeal filed by the Parent Company against the assessment notices for 2011 for the portion relating to VAT and IRAP, referred to several times in the Company's financial report. After the positive conclusion of the judgement for 2010, the first level of judgement for 2011 has also been concluded positively for the Company.
  It should be noted that in the assessment notices the company was contested for failure to declare positive elements amounting to approximately Euro 1.1 million, including penalties.

- On 7 November, Orlando Corradi, founder of the Group, creative mind and key partner of Mondo TV, passed away.

RELATIONS WITH THE PARENT COMPANY'S MAIN CUSTOMERS AND EFFECTS ON THE FINANCIAL STATEMENTS

The third quarter saw a significant slowdown in sales in relation to certain Mondo TV productions in Asia.
In particular, the main customer of the *"Rowly Powlys"* and *"Dee and Duh"* series (Hong Kong Nine Technology), a few weeks after the passing away on 07 November 2018 of Orlando Corradi, founder of the company and creator and artistic and creative director of these products, made the decision to abandon the aforementioned projects.

In addition, the deterioration of the international economic situation and the slowdown of the Chinese economy, due in part to the war on tariffs between China and the USA, seem to have led to a significant restriction of bank credit in China, with a decrease in investments in media products in general and products of Western origin in particular.
As a result of these unexpected difficulties, the slowdown in revenues already highlighted in the third quarter as reported in the interim report for the nine months ended 30 September 2018 was not overcome.

In the second half of November, three major Asian customers (Broadvision Rights Ltd., Hong Kong Yiqi Culture Film & Television Media Co. Ltd. and New Information Tech.) formally communicated their intention to significantly review their investments in the *"Naraka", "Final Fight", "Play Time Buddies", "Beast Keepers", "Partidei"* and *"Adventures in Duckport"* projects, also as a result of the difficulties that have emerged in their reference markets in relation to the exploitation of these products. In particular, the difficulties of the above Asian customers, who had acquired rights to the aforementioned series, were justified by the significantly lower interest shown by Asian television stations in these products compared with previous expectations: the resulting prospects for a return on investment were therefore very limited on Asian markets, and were not even offset by revenues from exploitation in other parts of the world.
As a result of the communications from these Asian customers, the company has taken the decision to suspend further investments in these projects, as they now lack adequate economic coverage in terms of expected future revenues, and to start negotiations for the management of the various positions with the relative Asian partners.

The decisions of the Asian partners, together with other minor difficult situations, led to adjustments to asset values totalling around Euro 51.4 million for the Parent Company and around Euro 56.8 million at consolidated level. These value adjustments concerned:
- the library for approximately Euro 28.3 million for the Parent Company and Euro 32.9 million at consolidated level, with the substantial adjustment of the value of investments already made in the current and previous years;
- trade receivables mainly arising from pre-sales made on these projects for a total amount of approximately Euro 23.1 million for the Parent Company and Euro 23.9 million at consolidated level.

These adjustments, which, net of the positive tax effect of approximately Euro 12.0 million at Parent Company level and Euro 13.0 million at consolidated level, resulted in an extraordinary non-recurring expense in 2018 of Euro 39.4 million at Parent Company level and Euro 43.8 million at consolidated level, which, also taking into account the loss in turnover in the last two quarters, resulted in a loss for the year of Euro 38.7 million in the Parent Company's individual financial statements and Euro 39.5 million in the consolidated financial statements.

With respect to the contractual terminations and suspension of projects, no additional expenses are anticipated in addition to the extraordinary expenses incurred in 2018 and mentioned above; the suspension of these projects will save financial resources that would have been required to complete these projects, thereby allowing for lower capex requirements for future years and consequently easier cash generation in future years.

Net of the adjustments made, the financial statements as at 31 December 2018 include approximately Euro 17 million of receivables arising from pre-sales in Asia on projects in which the partners/customers which, taking into account the above, do not show critical issues; of these receivables, approximately Euro 3 million have a seniority of more than 12 months; based on what has been agreed, the collection of these receivables is expected to be approximately Euro 15 million in 2019 and Euro 2 million in 2020.

With regard to developments in relations with these customers in the first few months of 2019, please refer to the section on "significant events after the reporting period" in this report.

The Group's other projects continue on a regular basis, with particular reference to successful products such as the Netflix original series based on the property *"Yoohoo & Friends"*, the first 26 episodes of which have been delivered to Netflix and have been available for viewing since 15 March 2019 (the next 26 will be delivered by September 2019) and the *"Robot Trains"* series, completed in the first quarter of 2019.
The Parent Company is also continuing to develop the productions *"Invention Story", "Bat Pat", "Meteo Heroes"* and *"Sissi"*, the two series currently being produced by Mondo TV France *"Rocky Kwaternaire"* and *"Disco Dragoon"*, as well as activities in the live fiction sector by Mondo TV Iberoamérica.

The following table details the productions currently underway:

PRODUCTION	YEAR OF END OF PRODUCTION	MARKETING YEAR	Partners
Invention Story	26 episodes for each year	early 2019	York
Bat Pat	end of 2019	end of 2019	Atlantyca
Meteoheroes	end of 2020	end of 2019	Epson Meteo
Robot Trains	mid-2019	end of 2019	CJ Corporation
Yoohoo & Friends	September 2019	second half 2019	Netflix Aurora
Rocky Kwaternaire	2019	2019	France 4, Monello
Disco Dragoon	2021	2021	Various presales
Sissi 3	2020	2020	-
Heidi the movie	2019	2019	Alianzas

APPROVAL OF 2019-2023 BUSINESS PLAN

In light of the framework set out in the previous paragraph, on 10 December 2018, the Board of Directors of the Parent Company approved the new Business Plan for the five-year period 2019-2023.

The strategic objectives of the new five-year business plan start from the general change in the panorama of the audiovisual market and from the new business model that is prevailing internationally. The production of cartoon series in co-production with toymakers, especially in Asia, will continue to be the group's core business, but this will be supplemented by new sources of revenue, specifically:

1. Focus of productions on properties with higher yields, supported both by pre-sales to be realised especially in the pre-production phase, by an in-depth market analysis in order to select projects according to their usability on the market and by strong and internationally recognised partners and broadcasters with whom to seek co-production opportunities, with special emphasis on digital platforms.
2. Geographical diversification of revenues with the search, possibly also by external lines, for a better balance between Asian markets and the rest of the world to avoid tying the business to a few markets, with better risk management.

3. Expansion of the focus on activities related to licensing and merchandising, with strengthening of the "licensing department", in order to better manage products that have the potential to represent an "event" and develop master toys on products.
4. Diversification of the products offered, also through an intensification of the distribution of third-party products, in which the Mondo TV group is not part of the production but only a distributor, in order to increase margins and revenues with a minimum investment and a lower degree of risk.
5. Diversification of the so-called live products distributed by the Group; there is a real need on the market for fiction series by the new online content platforms (Netflix, Amazon, HBO, etc.), which have announced that they have enormous budgets to invest in European productions and which represent an extraordinary opportunity to develop a business that can bring in interesting revenues in the near future; the Group already has the necessary know-how in the fiction sector with its subsidiary Mondo TV Iberoamerica, and has several projects under evaluation, the most promising of which is "2050".

With the aim of achieving the strategic objectives and economic results expected on the basis of the new Business Plan, the Group intends to implement and strengthen the actions referred to herein:

1. Detailed analysis of future Capex investments and focus on higher yielding products in order to minimise risks on new investments (including through market testing with Pilots/trailers during production).
2. Consolidation and expansion of the pre-production structure currently operated by Mondo TV Producciones Canarias, also with a view to improving production efficiency and timing.
3. Consolidation of relationships with partners all over the world, not only in Asia, also through possible expansion by external lines.
4. Continued integration between the various business areas: the action should allow for better synergy between the various departments in order to allow for a more rational commercial exploitation of the properties managed at production or distribution level by the Group; it is also planned to increase the synergies offered by the foreign subsidiaries Mondo TV France and Mondo TV Iberoamerica.
5. Strengthening of the focus on "live" series, particularly from a distribution perspective, to allow the Group to strengthen its offer of this type of program in the face of a constant increase in demand from international media, not limited to series dedicated to teenagers, with a view to diversifying the product line offered.

The economic and financial objectives at consolidated Group level are summarised below:

	2019	***2020***	***2021***	***2022***	***2023***
Production value	24,471	34,015	38,500	40,750	44,350
EBITDA	14,301	19,936	24,181	28,183	31,525
EBIT	6,768	8,975	11,661	13,954	16,939
Net profit	4,120	5,425	7,044	8,384	10,489

Among the economic-financial objectives, priority is given to improving cash flow generation, which is expected to be balanced at the end of 2019 before becoming positive from 2020, to be pursued with the action plan described above.
In particular, in 2019, revenue generation is expected from the sales of the series based on the property *"Yoohoo and Friends"*, the marketing and delivery of which begins in the spring to Netflix; *"Robot Trains"*, the marketing of which begins in the second quarter; *"Invention Story"*, for which delivery of a further 26 episodes is planned; the completion of the series *"Rocky Kwaternaire"* by Mondo TV France and the progress of the productions of *"Bat Pat", "Meteo Heroes"* and the launch of *"2050"*. As regards the breakdown of revenues into the various quarters, due to the production schedule of the series and the start of the marketing period, a stronger second half than the first is expected, with approximately 35% of revenues positioned in the last quarter of the year.

Compared to the previous plan, the new Business Plan shows a lower level of revenues due to the lower number of productions, but still very high margins and a significantly lower level of capex.

INFORMATION ON SHAREHOLDERS AND THE SHARE PRICE

Mondo TV S.p.A.'s shareholding structure as at 31 December 2018 was as follows:

Largest shareholders			
		no. of shares	**%**
Giuliana Bertozzi*		6,668,899	18.31%
Matteo Corradi*		2,039,924	5.60%
Monica Corradi*		2,030,092	5.57%
Riccardo Corradi*		2,030,092	5.57%
Invesco		1,714,381	4.71%
	Sub-total	**14,483,388**	**39.77%**
Other shareholders		21,930,824	60.23%
		36,414,212	**100.00%**

* Heirs Orlando Corradi

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

The share price trend went from Euro 6.38 on 28 December 2018 to a low of 0.94 cents recorded on 12 December, to then stabilise in a range between Euro 1.2 and Euro 1.3.

At the date of approval of this report, the stock was quoted at Euro 1.35 with a market capitalisation of approximately Euro 49 million.

BUSINESS OUTLOOK, MAIN RELEVANT RISKS

The Group is implementing the strategic line defined in the Business Plan approved by the Board of Directors on 10 December 2018, through the acquisition of new productions oriented towards licensing and the internationalisation of the Group.

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. 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:

a) Credit risk
b) Liquidity risk
c) Exchange rate risk
d) Interest rate risk

1.1 Credit risk

Credit risk represents the Group companies' exposure to potential losses arising from the non-fulfilment of the obligations assumed by the counterparties.

The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
The positions for which a risk of partial or total non-collectability is noted, are subject to individual impairment. Performing trade receivables have not been impaired since no significant indication of impairment emerged, based on an analysis conducted that took into account both the reliability of the individual customers, and the high distribution of credit risk.

1.2 Liquidity risk

Liquidity risk represents the risk that the financial resources might not be available or may be available at a cost so high that profit (loss) for the year may be affected.
In this regard, in order to be best protected against these risks, the Mondo TV Group adopts a policy for the optimization of the debt mix between short and medium/long-term and, as part of the short-term lines, a policy for diversification of the banking lines and institutions.
Moreover, the group had a positive net financial position of Euro 8.1 million at 31 December 2018, which ensures a significant cash reserve.

The following table shows the breakdown of Mondo TV Group's credit lines, expressed in millions of Euro, made available by banks as at 31 December 2018:

	CREDIT LINES - MONDO TV GROUP - 31.12.2018			
(values in Euro millions)	Cash	Trade	Loans	Total
UBS	0	1	0	**1**
Credit Suisse	0	0.25	0	**0.25**
Unicredit	0	0	0	**0.0**
BNL	0	0	0	**0.0**
CREDEM	0	0.4	0	**0.4**
CREDEM FACTORING	0	1	0	**1**
SIMEST	0	0	0.2	**0.2**
Veneto Banca	0	0	0.25	**0.25**
Total	**0**	**2.65**	**0.45**	**3.1**

The following table shows instead the breakdown of the credit lines, expressed in millions of Euro, of the Parent Mondo TV S.p.A., made available by banks as at 31 December 2018:

	CREDIT LINES - MONDO TV SPA - 31.12.2018			
(values in Euro millions)	Cash	Trade	Loans	Total
Unicredit	0	0	0	**0**
BNL	0	0	0.0	**0**
CREDEM	0	0.4	0	**0.4**
CREDEM FACTORING	0	1	0	**1**
SIMEST	0	0	0.2	**0.2**
Veneto Banca	0	0	0.25	**0.25**
Total	**0**	**1.4**	**0.45**	**1.85**

1.3 Exchange rate risk

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

1.4 Interest rate risk

The interest rate fluctuations influence the cash flows, the market value of the company's financial assets and liabilities, and the level of the net financial income/expenses.
The Group's financial debt is regulated by variable interest rates. In consideration of the low financial exposure, the Group Companies are marginally subject to interest rate risk.

2. Risks associated with dependency on key managers

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

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.

4. Risks associated with litigation

To date, there are no significant legal disputes that could give rise to significant charges for the Group.

5. Risks associated with the Group companies' tax position

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

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

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

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

In July 2017, the Rome Provincial Tax Department fully accepted the appeal filed by the Company against the assessment notices related to 2010. The first instance ruling was then upheld by the Regional Tax

Department for Lazio in July 2018. Therefore, the judgement concluded positively for the Company, as no appeal was filed with the Court of Cassation by the Revenue Agency.

In the grounds on which the appeal was upheld, the Tax Commission substantially confirmed the position of the Board of Directors of the Company that considered the hypothesis of losing "scarcely probable" and therefore did not proceed with any provision in the financial report of previous years in relation to the above position.

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

- the first notice refers to VAT and IRAP; the higher VAT ascertained amounts to Euro 536 thousand plus interest, while the penalties amount to Euro 603 thousand; no higher was IRAP ascertained.
  On 16 February 2017, the company filed an appeal against the notice of assessment notified to the Revenue Agency.
  On 8 May 2018, the Rome Provincial Tax Department fully upheld the appeal filed by the Company against the assessment notice for the portion relating to 2011 VAT and IRAP.

- The second notice refers to IRES for 2011; the higher IRES ascertained amounts to Euro 724 thousand plus interest, while the penalties amount to Euro 651 thousand.
  For this second notice, the company filed a petition for recalculation to offset losses and reduce penalties, and then appealed to the outcome of the recalculations, for which we are currently waiting for the outcome of the ruling.

In relation to the financial year 2012, on 24 October 2017, the Revenue Agency notified the Parent Company of the assessment notice disputing a lower loss for the year for Euro 100 thousand and higher VAT for Euro 21 thousand, plus interest and penalties. The company appealed against the Revenue Agency in December 2017.

In consideration of the lack of any basis in the judgement of the findings contained in the Formal Notice of Assessment (PVC) of the Guardia di Finanza as reported slavishly by the Revenue Agency in the consequent Notices of Assessment notified, the Directors, also comforted by the judgements issued for 2010 and 2011 and the opinion of the specially appointed consultants, deem scarcely likely that the company may lose in this dispute, and therefore, consistent with the assessments made in the financial report of previous years, no provision was made at 31 December 2018.

An audit is currently underway by the Revenue Agency aimed at the offsets made in 2014 with the use of tax credits resulting from the transformation of deferred tax assets. The audit is in the initial phase of acquiring documentation relating to the formation of the credit and subsequent uses.
Therefore, in light of the above, at this stage, it is not possible to predict the possible outcome of the audit in progress.

BASIS FOR THE ADOPTION OF THE GOING CONCERN ASSUMPTION IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The going concern assumption is a fundamental principle in the preparation of financial statements. On the basis of this assumption, technically the company is normally considered capable of continuing to carry on its business in the foreseeable future (at least 12 months from the reporting date) without there being any intention or need to put it into liquidation, cease business or subject it to bankruptcy proceedings as required by law or regulations. Assets and liabilities are therefore accounted for on the basis of the assumption that the company is able to realise its assets and meet its liabilities in the normal course of business.
In preparing the financial statements, management shall make an assessment of the entity's ability to continue as an operating entity. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease business, or has no realistic alternative but to do so. If management is aware, in making its assessments, of material uncertainties related to events or conditions that may cast significant doubt about the entity's ability to continue as an operating entity, the

entity shall disclose those uncertainties.

The Directors, while considering some elements or circumstances that may give rise to doubts regarding the going concern assumption, described below, believe that the Parent Company Mondo TV S.p.A. and the Group as a whole have adequate financial strength and adequate resources to continue operating in the foreseeable future and, consequently, have adopted the going concern basis for the preparation of the annual and consolidated financial statements as at 31 December 2018.

To this end, when preparing the financial statements for the year ended 31 December 2018, the Business Plan approved by the Board of Directors on 10 December 2018 was evaluated with the new information available. The new information available did not reveal any elements that would require an amendment to the same.

The following are the elements or circumstances taken into consideration that highlight the state of risk:

1. The deterioration of the international economic situation and the slowdown of the Chinese economy seem to have led to a significant restriction of bank credit in China, with a decrease in investments in media products in general and products of Western origin in particular. In this context, the main customer of the animated series *Rowly Powlys* and *Dee and Duh* took the decision to abandon these projects. Subsequently, three Asian customers formally communicated their intention to significantly review their investments in the *"Naraka", "Final Fight", "Play Time Buddies", "Beast Keepers", "Partidei"* and *"Adventures in Duckport"* projects, also as a result of the difficulties that have emerged in their reference markets in relation to the exploitation of these products.
2. The Parent Company shows a loss for the year of approximately Euro 38,700 thousand, essentially due to the effect of non-recurring negative income components reflected in the allowance for doubtful debts and impairment of intangible assets. The Group reports a loss of approximately Euro 39,513 thousand, mainly due to the aforementioned non-recurring negative income components and the results of the subsidiaries Mondo TV France S.A., Mondo TV Iberoamerica S.A. and Mondo TV Producciones Canarias.
3. Delay in the collection of trade receivables that arose in previous years.
4. Minor dealings with the Italian banking system.
5. The death of founder Orlando Corradi removed the creative figure of reference for Mondo TV S.p.A.

The aforementioned elements of risk and uncertainty have been carefully assessed and compared with the programs and initiatives implemented by the Group to mitigate/neutralise them. In particular, the following are noted:

1. in December, the Board of Directors set the strategic objectives of the new five-year business plan, adopting a new business model that envisages, among other things:
   - focusing production on higher-yielding properties;
   - geographical diversification of revenues with the search, possibly also by external lines, for a better balance between Asian markets and the rest of the world to avoid tying the business to a few markets, with better risk management;
   - expansion of the focus on activities related to licensing and merchandising, with the strengthening of the "licensing department";
   - diversification of the products offered, also through an intensification of the distribution of third-party products, in which the Mondo TV Group is not part of the production but only a distributor;
   - diversification of the so-called live products distributed by the Group.

2. The significant loss for the year incurred by the Parent Company is attributable to non-recurring negative income components reflected in the allowance for doubtful debts (Euro 23,115 thousand) and impairment of intangible assets (Euro 28,296 thousand). It should be noted that in the past and also in the current year, the Company has shown positive management results taking into account the quality of the productions; precisely in consideration of the extraordinary nature of these costs, the Directors have approved the Business Plan capable of adequately expressing positive results already from the 2019 financial year.
3. The company has adopted a careful policy of rationalisation of resources and initiatives aimed at

containing costs: in the last three years, the focus has been placed on the renegotiation of the main supply contracts and consequently also on the improvement of purchasing processes and management of resources; a plan for the revision of fixed structural costs has also been implemented.

4. Initiatives have been taken in relation to the management of the company's receivables: the internal control system relating to the management of accounts receivable has been strengthened. It should also be noted that in the past, the Company has not had any difficulty in obtaining financial resources and managing the time discrepancies between the liquidation of assets and the payment of commitments reflected in the liabilities of the financial statements.
5. At the reporting date, the company had credit lines in place with Italian and Swiss banks that are not expected to be repaid in the short term. In addition, in the first few months of 2019, a financing transaction was approved by a Swiss-registered banking institution on very advantageous terms for the Company (shares of a subsidiary securing the financing). The same bank said it was willing to make new disbursements during the year under the same conditions.
6. For the management of litigations and tax disputes, the company uses external consultants who manage the operations of the dispute; the external consultants are professionals capable of adequately protecting the company. In their opinion, the risk of losing the case does not appear to be "probable" at this stage.
7. From a creative point of view, the new business plan is based on the development of third-party properties.

The assessments made by the Directors, who considered the going concern assumption in the preparation of the annual and consolidated financial statements of the Group to be adequate, are also based on the following indicators:

1. <u>Financial indicators</u>

- The net financial position at 31 December 2018 and at the date of preparation of this report is positive for significant amounts.
- Short-term financial indebtedness, which is not significant overall, is covered by assets.
- There are no signs/indications of cessation of financial support from lenders and other creditors.
- The Business Plan shows a positive net financial position that will grow from the second year of the plan.
- The forms of payment are generally respected and no significant forms of credit recovery and/or enforcement have been activated.

2. <u>Operating indicators</u>

- Company operations are carried out in the normal way and on the basis of industry protocols and reference regulations.
- Ordinary activities, net of non-recurring expenses, show a positive and growing marginality.
- There are no difficulties in staffing or difficulties in maintaining the normal flow of supplies from major suppliers.

3. <u>Other indicators</u>

- The Group, and in particular the Parent Company Mondo TV S.p.A., are strongly capitalised (equity is well above the legal limits).
- Present tax disputes are managed scrupulously, also with the support of external experts, and there are no situations which, in the event of a negative outcome, could lead to compensation obligations that the company is unable to meet.
- No legislative changes or government policies are expected to have an adverse effect on the Company.

In view of the above, the Directors, while taking into account the uncertainties outlined above, believe that it is reasonable to expect that the Company and the Group will have access to adequate financial resources to continue operating in the foreseeable future and, consequently, have adopted the going concern basis for the preparation of the annual and consolidated financial statements at 31 December 2018.

Moreover, as previously indicated, the significant loss of the 2018 financial year is substantially affected by non-recurring expenses, while ordinary operations are already characterised by consolidated profitability and also the results of operations in the first months of 2019 show a further significant improvement in terms of both operating income and net profit (loss).

HUMAN RESOURCES AND RESEARCH AND DEVELOPMENT ACTIVITIES

As at 31 December 2018, the Group had 49 employees, of which 4 executives, 45 white-collar workers and middle managers, up 9 employees compared to 31 December 2017. The breakdown of employees by company is as follows: Mondo TV S.p.A. 26 employees, Mondo TV France S.A. 4 employees, Mondo TV Suisse S.A. 3 employees, Mondo TV Iberoamerica S.A. 3 employees and Mondo TV Producciones Canarias S.L.U. 13 employees.

The Group has a moderate turnover rate.

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

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

TREASURY SHARES

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

To date, there have been no events after 31 December 2018 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the Financial Statements.

In March, Mondo TV S.p.A. reached settlement agreements with three of the four Asian customers who had sent termination in relation to certain existing sales contracts (see the section Relations with the parent company's main customers and effects on the financial statements in this Report).

Specifically, an agreement was entered into with the customer Broadvision Rights Ltd. on 14 March 2019 outlining the following: 1) Broadvision Rights Ltd. complains about delays in deliveries by Mondo TV S.p.A. and disputes the quality of the productions carried out, while Mondo TV S.p.A. fully rejects the objections of Broadvision Rights Ltd.; 2) the definitive cancellation of the third series provided for in the contract and not yet started is established, while as regards the two existing productions, the following is established:

- Mondo TV S.p.A. is entitled to retain the amount already received for the animated series *Play time Buddies* and will regain full ownership of the distribution rights, while further payments by Broadvision Rights Ltd. for the series will cease;
- the animated series *Sissi third season* was halved, passing to 26 episodes, in a format that is in any case very commercial with an investment by Broadvision Rights Ltd. that fell to USD 2,400 thousand (originally USD 4,800 thousand);
- the minimum guaranteed amount of USD 500 thousand that Mondo TV S.p.A. should have paid to Broadvision Rights Ltd. was cancelled.

With regard to relations with Hong Kong Yiqi Culture, the companies have reached a settlement agreement whereby Mondo TV S.p.A. will retain the amount already collected, equal to approximately USD 11,900 thousand for the old library and USD 3,900 thousand for the part relating to the new productions, for a total of USD 15,800 thousand, waiving any further claims, however immediately returning to possession of the rights to exploit both the old library and the new series (*Duckport*, *Partidei* and *Beastkeepers*).
Accordingly, the parties mutually waive their right to take legal action with respect to the contracts governed by the settlement agreement, and the contracts relating to the animated series *Bat Pat* and *Meteo Heroes* shall continue as normal.

With regard to relations with Hong Kong Nine Technology, the companies have reached a settlement agreement that provides for the replacement of the two animated series *Rowly Powly* and *Dee and Doo* with two new animated series currently being negotiated by Mondo TV S.p.A. with third-party co-producers and approved by Hong Kong Nine Technology.

Finally, with regard to relations with New Information Tech, following contract termination, Mondo TV S.p.A. sent a communication to the customer in which it contested the validity of the termination, complaining about delays in payments and reiterating that the contract, which does not provide for a performance guarantee by Mondo TV S.p.A., must be considered to be still in place and therefore invites New Information Tech to fulfil its obligations. Otherwise, Mondo TV will take the necessary action to recover the credit.
In a subsequent reply, New Information Tech. reiterated the validity of the termination, contesting the delays in the production of the two projects that made the commercial exploitation of the two series impossible, reiterating that in the event of a dispute, they would request the restitution of the sums already paid and the relative damages. At present, Mondo TV S.p.A.'s lawyers have been appointed to evaluate the actions to be taken.

On 15 March 2019, the first 26 episodes of the animated series Yoohoo and Friends were available globally on the Netflix platform.

RELATED PARTY AND INTRA-GROUP TRANSACTIONS

RELATED PARTIES OF THE GROUP

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

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

(Euro thousands)	**Receivables as at 31.12.2018**	**2018 Costs**	**Payables as at 31.12.2018**	**Nature of the transactions**
Remuneration of directors and executives				
Matteo Corradi	0	212	0	Chair and CEO
Monica Corradi	0	92	0	Director
Aurelio Fedele	0	15	0	Independent Director
Angelica Mola	0	9	9	Independent Director
Carlo Marchetti	0	162	15	Director
Total	**0**	**490**	**24**	
Real-estate and service companies				

Trilateral Land S.r.l.	32	438	7	Office leasing
Total	**32**	**928**	**31**	

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

INTRAGROUP TRANSACTIONS AT GROUP LEVEL

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

All transactions between the various companies of the Group were a market conditions.

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

The main transactions which became effective during 2018 are described below (eliminated in the consolidated financial statements):

Mondo TV France S.A.
In 2018, the subsidiary re-invoiced the costs related to the listed status and incurred by Mondo TV S.p.A. for a total amount of Euro 80 thousand.

Mondo TV Iberoamerica S.A.
In previous years, Mondo TV S.p.A. granted interest-bearing loans to the subsidiary for the production of the live series *Heidi* and for the financial support of its cash requirements; this loan has a term of three years and is remunerated at a rate equal to three-month Euribor increased by 3%; at 31 December 2018, it amounted to Euro 5,235 thousand; costs for a total amount of Euro 26 thousand and interest on the loan granted by the Parent Company to the subsidiary for an amount of Euro 107 thousand were then charged back by the subsidiary to the Parent Company, in relation to the listing process.

Mondo TV Producciones Canarias S.L.U.
During the year in relation to production contracts relating to the animated series "*Bat Pat*", "*Invention Story*" and "*Sissi*", activities were carried out for the study of models and backgrounds for an amount of Euro 296 thousand, which constitute an investment in the library for Mondo TV S.p.A.

Transactions with Mondo TV Suisse S.A.
Mondo TV S.p.A. realizes the executive productions for contracts acquired by the subsidiary. Transactions are governed by a specific framework contract that basically envisages a production cost for Mondo TV Suisse of 85% of the amount paid by the final customer.
During the preparation of the financial statements for the year ended 31 December 2018, Mondo TV Suisse S.A., as a result of late payments from its customers Abu Dhabi, Animagic and Blonde Pilot, considered adjusting receivables.
Consequently, when preparing the financial statements of Mondo TV S.p.A., it was decided to adjust the corresponding credit positions towards the subsidiary for an amount of Euro 1,267 thousand.

A contract was also stipulated for the distribution of the animated series *"Robot Trains second season"* by Mondo TV S.p.A., with Mondo TV Suisse S.A. being paid a guaranteed minimum of Euro 500 thousand for certain territories. Costs were charged back by the subsidiary relating to the listed status and incurred by Mondo TV S.p.A. for a total amount of Euro 194 thousand.

Transactions with Mondo TV Toys S.A.
Mondo TV S.p.A. financially supported the company in 2016 with the granting of non-interest bearing loans totalling Euro 134 thousand, in addition to Euro 5 thousand disbursed in 2017 and Euro 6 thousand disbursed in 2018.

RELATED PARTIES OF THE PARENT

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

In detail:
- The members of the Corradi family, such as Matteo Corradi, Chair and Chief Executive Officer, and Monica Corradi, Board Director;
- Trilateral Land S.r.l., a company directed by Matteo Corradi, the owner of the buildings located in Rome, Milan, and Guidonia used by the Mondo TV Group's companies.

The main transactions with the above related parties are as follows:
- Matteo Corradi provides managerial services as part of his job with Mondo TV;
- Monica Corradi provides managerial services as part of her job with Mondo TV;
- the transactions with Trilateral Land S.r.l. refer to the payments for the lease of the buildings where the Company's operations are based to Trilateral Land S.r.l.

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

Remuneration of directors			
(Euro thousands)	**Receivables as at 31.12.208**	**Payables as at 31.12.2018**	**2018 Costs**
Monica Corradi	0	0	92
Matteo Corradi	0	0	81
Aurelio Fedele	0	0	15
Angelica Mola	0	9	9
Carlo Marchetti	0	15	111
Total for directors	***0***	***24***	***310***
Other related parties			
(Euro thousands)	**Receivables**	**Payables**	**Costs**
Trilateral Land S.r.l.	32	7	438
TOTAL	**32**	**31**	**748**

* Of which Euro 96 thousand as executive compensation and Euro 15 thousand as Board Director.

INTRAGROUP TRANSACTIONS AT PARENT LEVEL

As for the transactions between the Parent and the other companies of the Mondo TV Group, and also those between the latter without the involvement of the Parent, first it should be noted that the operations of the various companies tend to be integrated, as in this industry companies belonging to the same Media Group typically pursue common policies in terms of production, acquisition, and exploitation of rights. These groups, indeed, tend to structure themselves into separate entities specialised in the exploitation of different rights, and, at the same time, they attempt to pursue common strategies for the procurement and marketing of rights, in order to exploit the synergies and greater contractual strength deriving from acting in concert.
All transactions between the various companies of the Mondo TV Group were a market conditions. The main transactions which became effective during 2018 are described below:

Mondo TV France S.A.
In 2018, the subsidiary re-invoiced the costs related to the listed status and incurred by Mondo TV S.p.A. for a total amount of Euro 80 thousand.

Mondo TV Iberoamerica S.A.
In previous years, Mondo TV S.p.A. granted interest-bearing loans to the subsidiary for the production of the live series *Heidi* and for the financial support of its cash requirements; this loan has a term of three years and is remunerated at a rate equal to three-month Euribor increased by 3%; at 31 December 2018, it amounted to Euro 5,235 thousand; costs for a total amount of Euro 26 thousand and interest on the loan granted by the Parent Company to the subsidiary for an amount of Euro 107 thousand were then charged back by the subsidiary to the Parent Company, in relation to the listing process.

Mondo TV Producciones Canarias S.L.U.
During the year, in relation to production contracts relating to the animated series "Bat Pat", "Invention Story" and "Sissi", activities were carried out for the study of models and backgrounds for an amount of Euro 296 thousand, which constitute an investment in the library for Mondo TV S.p.A.

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During the preparation of the financial statements for the year ended 31 December 2018, Mondo TV Suisse S.A., as a result of late payments from its customers Abu Dhabi, Animagic and Blonde Pilot, considered adjusting receivables.
Consequently, when preparing the financial statements of Mondo TV S.p.A., it was decided to adjust the corresponding credit positions towards the subsidiary for an amount of Euro 1,267 thousand.

A contract was also stipulated for the distribution of the animated series *"Robot Trains second season"* by Mondo TV S.p.A., with Mondo TV Suisse S.A. being paid a guaranteed minimum of Euro 500 thousand for certain territories. Costs were charged back by the subsidiary relating to the listed status and incurred by Mondo TV S.p.A. for a total amount of Euro 194 thousand.

Transactions with Mondo TV Toys S.A.
Mondo TV S.p.A. financially supported the company in 2016 with the granting of non-interest bearing loans totalling Euro 134 thousand, in addition to Euro 5 thousand disbursed in 2017 and Euro 6 thousand disbursed in 2018.

Transactions with direct and indirect subsidiaries

(Euro thousands)	**Loans**	**Trade receivables**	**Payables**	**Costs**	**Revenues**
Mondo TV France	0	0	296	80	0
Mondo TV Suisse	0	543	1,513	1,461	0

Mondo TV Iberoamerica	5,235	0	113	26	107
Mondo TV Canarie	0	0	290	0	0
Mondo TV Toys	145	0	0	0	0
TOTAL	**5,380**	**543**	**2,212**	**1,567**	**107**

The table below shows total transactions with directors, related parties and subsidiaries in 2018.

Transactions with Group companies and related parties

(Euro thousands)	**Loans**	**Trade receivables**	**Payables**	**Costs**	**Revenues**
Transactions with directors	0	0	24	310	0
Transactions with other related parties	0	32	7	438	0
Transactions with subsidiaries	5,380	543	2,212	1,567	107
Total	**5,380**	**575**	**2,243**	**2,315**	**107**

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

The reconciliation of the Parent's equity as at 31 December 2018 to the Group's 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	**(38,700)**	**59,467**
Individual data of the subsidiaries	(6,276)	(2,027)
Eliminations of the carrying amount of net equity investments	2,232	1,492
Elimination of capitalized intra-group revenues and deferrals	239	(2,823)
Attribution of subsidiaries' equity to non-controlling interests	2,991	2,071
Consolidated financial statements	**(39,514)**	**58,181**

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

With reference to the loss for the year of Euro 38,699,955, it is proposed that it be covered through the use of retained earnings and other available reserves, and the remainder through the use of the share premium provision.

Rome, 29 March 2019

On behalf of the Board of Directors

Chief Executive Officer
Matteo Corradi

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES AS AT 31 DECEMBER 2018

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of financial position			
(Euro thousands)	Notes	31/12/2018	31/12/2017
Non-current assets			
- Intangible rights		*30,888*	*44,136*
- Other intangible assets		*29*	*12*
Intangible assets	4	30,917	44,148
Tangible assets	4	369	387
Deferred tax assets	5	14,680	3,036
Receivables	6	31	356
		45,997	**47,927**
Current assets			
Trade receivables	6	20,622	46,955
Tax assets	5	3,688	3,912
Other assets	7	462	334
Cash and cash equivalents	8	12,463	2,408
		37,235	**53,609**
Total assets		**83,232**	**101,536**
- Share capital		*18,207*	*15,308*
- Share premium provision		*45,868*	*27,767*
- Legal reserve		*3,062*	*2,642*
- Other reserves		*9,774*	*10,639*
- Retained earnings (losses)		*20,784*	*7,967*
- Profit (loss) for the year		*(39,514)*	*12,817*
Equity attributable to owners of the Parent		58,181	77,140
Non-controlling interests		(2,071)	569
Total equity	9	**56,110**	**77,709**
Non-current liabilities			
Provision for post-employment benefits	10	545	482
Deferred tax liabilities	5	66	0
Financial payables	11	1,322	748
		1,933	**1,230**
Current liabilities			
Provisions for risks and charges	10	27	54
Trade payables	11	21,631	14,668
Financial payables	11	3,076	3,611
Tax liabilities	5	455	653
Other liabilities	12	0	3,611
		25,189	**22,597**
Total liabilities		**27,122**	**23,827**
Total liabilities + equity		**83,232**	**101,536**

CONSOLIDATED SEPARATE INCOME STATEMENT

Separate income statement			
(Euro thousands)	**Notes**	**2018**	**2017**
Revenue from sales and services	16	18,914	32,019
Other income	16	584	574
Capitalisation of internally produced animated series	17	2,701	1,405
Raw materials, consumables and goods	18	(57)	(90)
Personnel costs	19	(3,816)	(3,241)
Amortisation and impairment of intangible assets	20	(41,701)	(6,177)
Depreciation and impairment of tangible assets	20	(140)	(129)
Allowance for doubtful debts	20	(23,879)	(1,190)
Other operating costs	21	(7,131)	(5,607)
EBIT		**(54,525)**	**17,564**
Financial income	22	1,431	576
Financial expenses	22	(924)	(2,730)
Profit (loss) of the period before tax		**(54,018)**	**15,410**
Income tax expense	23	11,513	(3,116)
Net profit (loss) for the period		**(42,505)**	**12,294**
Profit (loss) for the year attributable to non-controlling interests		(2,991)	(523)
Profit (loss) attributable to owners of the Parent		**(39,514)**	**12,817**
Earnings (loss) per share (basic and diluted)		**(1.17)**	**0.43**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Comprehensive income statement		
(Euro thousands)	**31.12.2018**	**31.12.2017**
Net profit (loss) for the year	(42,505)	12,294
Other profits (losses) recognized in equity	209	(17)
Total net profit (loss)	**(42,296)**	**12,277**
Total profit (loss) attributable to non-controlling interests	(2,991)	(523)
Total profit (loss) attributable to the Group	**(39,305)**	**12,800**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in Equity

(Euro thousands)	**Share capital**	**Legal reserve**	**Retained earnings (losses)**	**Share premium provision**	**Other reserves**	**Profit (loss) for the year**	**Attributable to owners of the Parent**	**Non-controlling interests**	**Total equity**
Consolidated Financial Statements as at 31.12.2016	**14,361**	**2,642**	**(383)**	**21,214**	**9,022**	**8,555**	**55,411**	**564**	**55,975**
Transactions with shareholders recognised in equity:									
Atlas capital increase	947			6,553	(600)		6,900		6,900
Items of comprehensive income for the year:									
Allocation of profit (loss) for the year 2016	-	-	8,350		205	(8,555)	-	-	-
Disposal of shares of subsidiaries					2,041		2,041	547	2,588
Translation reserve Mondo TV Suisse					(13)		(13)	(18)	(31)
Other changes					(16)		(16)	(1)	(17)
Result for the period	-	-	-	-	-	12,817	12,817	(523)	12,294
Consolidated Financial Statements as at 31.12.2017	**15,308**	**2,642**	**7,967**	**27,767**	**10,639**	**12,817**	**77,140**	**569**	**77,709**
Transactions with shareholders recognised in equity:									
Atlas capital increase	2,899			18,101	(660)		20,340		20,340
Items of comprehensive income for the year:									-
Allocation of profit (loss) for the year 2017		419	12,398			(12,817)	-		-
Disposal of shares of subsidiaries					212		212	351	563
Translation reserve Mondo TV Suisse					6		6		6
Other changes					(3)		(3)		(3)
Result for the period						(39,514)	(39,514)	(2,991)	(42,505)
Consolidated Financial Statements as at 31.12.2018	**18,207**	**3,061**	**20,365**	**45,868**	**10,194**	**(39,514)**	**58,181**	**(2,071)**	**56,110**

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

CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement		
(Euro thousands)	**2018**	**2017**
A. OPENING CASH AND CASH EQUIVALENTS	**2,408**	**1,810**
Group profit (loss) of the period	(39,514)	12,817
Profit (loss) for the year attributable to non-controlling interests	(2,991)	(523)
Total profit (loss) of the period	(42,505)	12,294
Depreciation, amortisation and impairment	65,720	7,496
Net change in provisions	36	41
Economic effect of deferred tax assets and liabilities	(11,578)	0
Cash flow from (used in) operating activities before changes in working capital	**11,673**	**19,831**
(Increase) decrease in trade receivables	2,779	(17,541)
(Increase) decrease in inventories	0	0
(Increase) decrease in tax assets	224	3,081
(Increase) decrease in other assets	(128)	(38)
Increase (decrease) in trade payables	6,963	3,249
Increase (decrease) in tax liabilities	(198)	(55)
Increase (decrease) in other liabilities	(3,611)	129
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	**17,702**	**8,656**
(Acquisition) / Disposal of		
- Intangible assets	(28,470)	(18,969)
- Tangible assets	(122)	(213)
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(28,592)**	**(19,182)**
Changes in capital	20,906	9,440
Increase (decrease) in financial payables	39	1,878
Interest paid	0	(194)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	**20,945**	**11,124**
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	**10,055**	**598**
F. CLOSING CASH AND CASH EQUIVALENTS	**12,463**	**2,408**

CONSOLIDATED FINANCIAL STATEMENTS PROVIDING RELATED PARTY DISCLOSURES

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

Consolidated statement of financial position				
(Euro thousands)	**31.12.2018**	**Related parties**	**31.12.2017**	**Related parties**
Non-current assets				
- Intangible rights	*30,888*		*44,136*	
- Other intangible assets	*29*		*12*	
Intangible assets	30,917		44,148	
Tangible assets	369		387	
Equity investments	0		0	
Deferred tax assets	14,680		3,036	
Receivables	31		356	
	45,997		**47,927**	
Current assets				
Trade receivables	20,622	32	46,955	168
Tax assets	3,688		3,912	
Other assets	462		334	
Cash and cash equivalents	12,463		2,408	
	37,235		**53,609**	
Total assets	**83,232**		**101,536**	
- Share capital	*18,207*		*15,308*	
- Share premium provision	*45,868*		*27,767*	
- Legal reserve	*3,062*		*2,642*	
- Other reserves	*9,774*		*10,639*	
- Retained losses	*20,784*		*7,967*	
- Profit (loss) for the year	*(39,514)*		*12,817*	
Equity attributable to owners of the Parent	58,181		77,140	
Non-controlling interests	(2,071)		569	
Total equity	**56,110**		**77,709**	
Non-current liabilities				
Provision for post-employment benefits	545		482	
Provisions for risks and charges	0		0	
Deferred tax liabilities	66		0	
Financial payables	1,322		748	
	1,933		**1,230**	
Current liabilities				
Provisions for risks and charges	27		54	
Trade payables	21,631	31	14,668	448
Financial payables	3,076		3,611	

Tax liabilities	455	653
Other liabilities	0	3,611
	25,189	**22,597**
Total liabilities	**27,122**	**23,827**
Total liabilities + equity	**83,232**	**101,536**

Consolidated income statement

(Euro thousands)	**2018**	**of which with related parties**	**2017**	**of which with related parties**
Revenue from sales and services	18,914		32,019	
Other income	584		574	
Capitalisation of internally produced animated series	2,701		1,405	
Raw materials, consumables and goods	(57)		(90)	
Personnel costs	(3,816)	(96)	(3,241)	(98)
Amortisation and impairment of intangible assets	(41,701)		(6,177)	
Depreciation and impairment of tangible assets	(140)		(129)	
Allowance for doubtful debts	(23,879)		(1,190)	
Other operating costs	(7,131)	(832)	(5,607)	(865)
EBIT	**(54,525)**		**17,564**	
Finance income	1,431		576	
Financial expenses	(924)		(2,730)	
Profit (loss) of the period before tax	**(54,018)**		**15,410**	
Income tax expense	11,513		(3,116)	
Net profit for the period	**(42,505)**		**12,294**	
Profit (loss) for the year attributable to non-controlling interests	(2,991)		(523)	
Profit (loss) attributable to owners of the Parent	**(39,514)**		**12,817**	

Consolidated cash flow statement with related parties				
(Euro thousands)	**2018**	**Related parties**	**2017**	**Related parties**
A. OPENING CASH AND CASH EQUIVALENTS	2,408		1,810	
Group profit (loss) for the year	(39,514)	-	12,817	-
Profit (loss) for the year attributable to non-controlling interests	(2,991)	-	(523)	-
Total profit (loss) for the year	(42,505)	-	12,294	-
Depreciation, amortisation and impairment	65,720	-	7,496	-
Net change in provisions	36	-	41	-
Deferred taxes	(11,578)		0	
Cash flow from (used in) operating activities before changes in working capital	11,673		19,831	
(Increase) decrease in trade receivables	2,779	136	(17,541)	139
(Increase) decrease in tax assets	224	-	3,081	-
(Increase) decrease in other assets	(128)	-	(38)	-
Increase (decrease) in trade payables	6,963	(417)	3,249	170
Increase (decrease) in tax liabilities	(198)	-	(55)	-
Increase (decrease) in other liabilities	(3,611)	-	129	-
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	17,702		8,656	
(Acquisition) / Disposal of				
- Intangible assets	(28,470)	-	(18,969)	-
- Tangible assets	(122)	-	(213)	-
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(28,592)		(19,182)	
Changes in capital	20,906	-	9,440	-
Increase (decrease) in financial payables	39	-	1,878	-
Interest paid	0	-	(194)	-
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	20,945		11,124	
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	10,055		598	
F. CLOSING CASH AND CASH EQUIVALENTS	12,463		2,408	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 FORM AND CONTENT

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

- Mondo TV France S.A., based in Paris listed on the AIM Italy/Alternative Capital Market (hereinafter, "AIM Italy") organised and managed by Borsa Italiana S.p.A.;
- Mondo TV Suisse S.A., based in Lugano, also listed on the AIM Italy/Alternative Capital Market;
- Mondo TV Iberoamerica S.A., based in Madrid, since December 2016, listed on the Mercato Alternativo Bursatil (MAB) on the Madrid stock exchange;
- Mondo TV Toys S.A., based in Lugano, incorporated in 2016 and placed in voluntary liquidation on 26 June 2017;
- Mondo TV Producciones Canarias S.L.U., based in Tenerife, also incorporated in 2016 (controlled indirectly through Mondo TV Iberoamerica S.A.).

These financial statements were approved by the Board of Directors' meeting of 29 March 2019 which authorised their publication on that same date and convened the Shareholders' Meeting for relevant approval on 30 April 2019 (single call). The financial statements are subject to audit by BDO Italia S.p.A.

The consolidated financial statements (Financial Statements) of the Mondo TV Group (Group) have been prepared on a going concern basis. It should be noted that the going concern assumption, on the basis of which these consolidated financial statements were prepared, is a fundamental principle in the preparation of the financial statements. On the basis of this assumption, technically the company is normally considered capable of continuing to carry on its business in the foreseeable future (at least 12 months from the reporting date) without there being any intention or need to put it into liquidation, cease business or subject it to bankruptcy proceedings as required by law or regulations. Assets and liabilities are therefore accounted for on the basis of the assumption that the company is able to realise its assets and meet its liabilities in the normal course of business. Taking into account the complex general economic situation and the particular situation of the Mondo TV Group companies, the main elements that highlight risk situations and the relative countermeasures adopted by the Group have been taken into consideration. Ample disclosure has been provided in the Report on Operations to which reference is made. Based on the risks and uncertainties that exist and the initiatives taken, the Directors believe that the going concern assumption, on the basis of which these consolidated financial statements were prepared, has been met.

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

In compliance with Regulation (EC) no. 1606/2002 of 19 July 2002 and Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements of the Mondo TV Group as at 31 December 2018 have been prepared in accordance with International Accounting Standards IAS/IFRS (hereinafter IFRS) approved by the European Commission pursuant to Regulation (EC) no. 1606/2002, integrated by the relative interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standards Board (IASB) and in force at year-end.

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

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

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

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

The accounting standards and policies applied to these financial statements are consistent with those used in preparing the financial statements as at 31 December 2017. In addition, the new accounting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* as well as certain amendments to International Accounting Standards were applied as of 1 January 2018. The main amendments are shown in the next paragraph “Recently issued accounting standards”.

In preparing these financial statements the cost method was applied, except for the derivative instruments and some financial assets for which IFRS 9 requires or, limited to financial assets, allows measurement at fair value.

The consolidated statement of financial position, consolidated separate income statement, statement of comprehensive income, cash flow statement and statement of changes in equity show the comparison with the figures relating to the last year of the Group ended 31 December 2017.

FORMAT OF FINANCIAL STATEMENTS

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

Consolidated Statement of Financial Position
The Statement of Financial Position as at 31 December 2018 is presented in opposite sections, keeping separate Assets, Liabilities and Equity. In turn, items of Assets and Liabilities are presented based on their classification as current and non-current; certain items in the comparative financial statements at 31 December 2017 (trade receivables, tax receivables, trade payables and tax payables) have been reclassified for better and clearer presentation without impacting equity at 31 December 2017.

Consolidated Separate Income Statement
Items in the Income statement for the year 2018 are classified by nature.

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

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

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

2 CONSOLIDATION

(a) Scope of consolidation

The Mondo TV Group's consolidated financial statements as at 31 December 2018 include the financial statements of the Parent Mondo TV S.p.A. and the financial statements of all its direct and indirect subsidiaries.

For the preparation of the consolidated financial statements as at 31 December 2018, use has been made of the financial statements as at 31 December 2018 of the consolidated companies approved by the respective Boards of Directors. The consolidated income statements, balance sheet and financial reports prepared by the subsidiaries were adjusted, where necessary, by the Directors of the Parent to make them adherent to IFRS.

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

(b) Subsidiaries

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

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

(c) Equity investments in other companies

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

(d) Change in the scope of consolidation

Compared to 31 December 2017, the percentages of investment in Mondo TV France, Mondo TV Iberoamerica and Mondo TV Suisse have changed, already controlled and consolidated using the full method in the previous year.

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

The balance sheet as at 31 December 2018 of the foreign subsidiaries Mondo TV Suisse S.A. and Mondo TV Toys S.A. has been converted at the Euro/Swiss Franc exchange rate at year-end; the income statement, instead, was converted at the annual average exchange rate. The exchange difference emerging from the conversion was recognized in "Other reserves" for the portion attributable to the Group and in "Non-controlling interests" for the portion attributable to third parties.

3 ACCOUNTING STANDARDS AND MEASUREMENT BASES

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

Intangible rights and other intangible assets

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

If availability of and payment for an intangible asset acquired are deferred beyond normal terms, the purchase price and the corresponding payable are discounted by recognising the finance costs implicit in the original price.
All rights on films and animated series that constitute the Library of the Companies are amortised on a straight-line basis over a period of 7 years from 2016 to incorporate amendments to IAS 38 that no longer allow for a revenue-based amortisation method. The costs incurred for the production of intangible assets in currencies other than the Euro are translated based on the exchange rate applicable on the date of the transaction.
In compliance with IAS 36, considering their significant amount and intangible nature, these costs are tested for impairment annually or more frequently if there is an indication of impairment, in order to assess if the recoverable value is at least equal to the carrying amount.

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

Property, plant and equipment

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

Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment that are not fully amortised/depreciated are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists, the asset’s recoverable amount is estimated. Any impairment loss with respect to the carrying amount is recognised in profit or loss. The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use (i.e. the present value of future cash flows expected to be derived from the asset). If an asset that does not generate largely independent cash flows, the realisable value is determined based on the cash generating unit to which the asset belongs. In order to determine the value in use, the expected future cash flows are discounted based on a discount rate that reflects the current market value of the cost of money, in relation to the investment period and asset's specific risks.

Fair value (net of costs to sell) can be determined on the basis of the provisions of IFRS 13 (Fair value measurement), quantifying the price that would be received for the sale of an asset or group of assets in a regular transaction between market operators, taking into account the characteristics in terms of any restrictions on sale and the conditions of use relevant for these operators at the valuation date.

An impairment loss is recognised in profit or loss when the carrying amount of the asset is greater than the recoverable amount. If the reasons for the previously recognised impairment no longer exist, the impairment is reversed and the carrying amount that the asset would have had if the impairment had not been made and if depreciation and amortisation had been performed is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are recorded at their nominal value which, except in cases of significant extensions granted to customers, corresponds to the value determined by applying the amortised cost criterion. The trade and other receivables are included among current assets, except for receivables due after 12 months from the reporting date, which are classified under non-current assets.

As regards the management of trade receivables, the Company's management has defined its business models on the basis of the specific nature of the receivable, the type of counterparty and the collection period; this has been done in order to optimise the management of working capital through the continuous monitoring of the performance of customer collections, the setting of credit collection policies, the management of receivables factoring programmes, and the activation of credit assignments (factoring) consistent with financial planning requirements.

Assessments of the risk and degree of collectability of receivables are substantially derived both from a specific analysis of credit positions and from a generic analysis based on the seniority of receivables and other representative and historical parameters. In this case, different loan impairment percentages were applied depending on the age of the loan. Their value is adjusted at the end of the period to the estimated realisable value and impaired in the event of impairment by assessing the expected losses considering a time horizon of 12 months in the absence of evidence of a significant increase in credit risk.

Impairment of trade receivables is carried out using the simplified approach allowed by IFRS 9. This approach involves estimating the expected loss over the life of the receivable at initial recognition and in subsequent valuations. For each customer segment, the estimate is made mainly by determining the expected non-collectible amount, based on historical-statistical indicators, adjusted if necessary using prospective elements. For certain categories of receivables with specific risk elements, specific assessments are carried out on individual credit positions.

The impairment is measured as the difference between the asset's carrying amount and the present value of the future cash flows and is recorded in the separate income statement under the item “Other operating costs”. If the reasons for the previously recognised impairment no longer exist in subsequent periods, the impairment loss is reversed to the extent of the amount measured at amortised cost.

The allowance for doubtful debts is classified as a deduction from the item “Trade receivables”.
Allocations to the allowance for doubtful debts are classified in the income statement under the item “Allowance for doubtful debts”.

Financial assets

Investments in other companies are measured at fair value or, if the development plans of their assets are not available, at cost adjusted for impairment, if any.

During the year, no impairment indicators were identified and for this reason, no impairment test was carried out.
Therefore, based on the information held by the Group, in this case there are no indications that the cost deviates significantly from their fair value.

Cash and cash equivalents

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

Trade payables

The fair value of trade payables, recorded under the “current” items of the statement of financial position and measured using the amortised cost method, does not diverge from the carrying amounts as at 31 December 2018 since it mainly refers to assets underlying commercial dealings which are expected to be settled in the short term.

Payables due to banks and other lenders

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

Tax assets and liabilities

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

Provisions for risks and charges

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

Post-employment benefits

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

Recognition of revenue and income

Revenues from sales and services are recognised respectively upon the effective transfer of the control deriving from the sale of the property or upon the performance of the service.
It should be noted that for all the main types of revenue the accounting methods, shown below, have not changed following the application from 1 January 2018 of the international accounting standard IFRS 15 (Revenue from Contracts with Customers). Specifically, for the Group's main types of sales, revenues are recognised according to the following criteria:

- in the case of sale of exploitation rights, the control is understood to be transferred upon delivery of media, in light of the contractual provisions.
- In the case of production, upon achievement of certain contractual phases that are generally dependent on the delivery of materials or the recognition of the state of progress on the part of the customer.

Revenue is recorded net of returns, discounts, rebates, and premiums, as well of any directly related taxes.
Revenue is also recorded including royalties or other types of costs for the use of the rights in the cases in which the risks underlying the transfer (in particular counterparty risk, price risk, and credit risk) remain essentially incumbent upon the Company. For these reasons, recognised revenue from sales and services represents the gross amount invoiced to the end customers, and costs incurred to compensate the various principals are classified under the cost of production.
The interest income is recognised on an accrual basis, based on the loan amount and on the applicable effective interest rate, representing the rate that discounts the future cash collection estimated over the expected life of the financial asset to make it equal to the carrying amount of the asset.
Dividends are recognised when the shareholders are entitled to receive payment.

Lease transactions

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

Foreign exchange transactions

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

Taxes

The tax expense of the Group is given by current and deferred taxes. If referring to items recognized in the income and expenses recognized in equity in the comprehensive income statement, said taxes are recognized with a balancing under the same item.
Current taxes are calculated based on the tax regulations applicable in the countries in which the Group operates and in force at the reporting date; possible risks related to different interpretations of positive or

negative income components, as well as disputes with the tax authorities, are valued at least quarterly in order to adjust the allocations recognized in the financial statements.
Deferred taxes are calculated based on temporary differences arising between the carrying amount of assets and liabilities and their value for tax purposes as well as on tax losses. The valuation of deferred tax assets and liabilities are calculated by applying the tax rate expected in force at the time when the temporary differences reverse; said forecast is made on the basis of current tax law or substantially in force at the reference date of the period. Deferred tax assets, including those arising from tax losses, are recognized to the extent in which, based on the business plans approved by the Directors, the existence is probable of a future taxable income against which said assets can be used.

Main assumptions used in relation to accounting standards

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

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

Earnings (loss) per share

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

RECENTLY ISSUED ACCOUNTING STANDARDS

In preparing these financial statements, the same accounting standards and preparation criteria adopted in preparing the financial statements as at 31 December 2017 have been applied, except as outlined below.

NEW STANDARDS AND INTERPRETATIONS ENDORSED BY THE EU AND IN FORCE FROM 1 JANUARY 2018
In accordance with IAS 8 (Accounting standards, changes in accounting estimates and errors), the IFRS effective from the 1 January 2018 are indicated and briefly illustrated below.

- **IFRS 9 – Financial Instruments**
  On 22 November 2016, EU Regulation no. 2016/2067 was issued, which implemented IFRS 9 (Financial Instruments) at EU level and which concerns the classification, measurement, derecognition and impairment of financial assets and liabilities.
  For the Mondo TV Group, the adoption of the new standard did not substantially affect the classification, measurement, derecognition and impairment of financial assets and liabilities.

- **IFRS 15 – Revenues from contracts with customers**

On 22 September 2016, EU Regulation no. 2016/1905 was issued, which endorsed IFRS 15 (Revenues from contracts with customers) and related amendments at EU level. Moreover, on 31 October 2017, EU Regulation no. 2017/1987 was issued, which endorsed clarifications to IFRS 15. IFRS 15 replaces the standards that governed revenue recognition, i.e. IAS 18 (Revenues), IAS 11 (Construction contracts), and related interpretations on revenue recognition (IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenues - Barter transactions including advertising services).
For the Mondo TV Group, the adoption of the new standard did not have any significant impact on revenue recognition.

- **IFRIC 22 – Transactions in foreign currency and advances**
  On 28 March 2018, EU Regulation no. 2018/519 was issued, which endorsed IFRIC 22 - Transactions in foreign currency and advances at EU level. The interpretation clarifies the exchange rate to be used in transactions and advances paid or received in foreign currency. The adoption of said interpretation has had no impact on the consolidated financial statements as at 31 December 2018.

- **Amendments to IFRS 2 – Share-based payments**
  On 26 February 2018, EU Regulation no. 2018/289 was issued, which endorsed some amendments to IFRS 2 - Share-based payments. The adoption of said amendments has had no impact on the consolidated financial statements as at 31 December 2018.

- **Improvements to IFRS (2014-2016 Cycle)**
  On 07 February 2018, EU Regulation no. 2018/182 was issued, which endorsed some amendments to IAS 28 - Investments in associates and joint ventures. In particular, the amendments clarify that the option for an investment entity (such as a mutual fund or similar entity) to measure its investments in associates and joint ventures at fair value through profit or loss (rather than through the application of the equity method), shall be made on a per investment basis at initial recognition. A similar clarification is provided for an entity that is not an investment entity but which itself has investments in associates or joint ventures that are investment entities. In this case, for the purpose of applying the equity method, the entity may retain the fair value through profit or loss measurement made by its investments in associates or joint ventures.
  The adoption of said improvements has had no impact on the consolidated financial statements as at 31 December 2018.

- **Amendments to IAS 40 – Changes in the use of property investments**
  On 14 March 2018, EU Regulation no. 2018/400 was issued, which implemented certain amendments to IAS 40 by providing clarifications on changes in intended use that lead to qualifying an asset that is not investment property as such or vice versa. The adoption of said amendments has had no impact on the consolidated financial statements as at 31 December 2018.

NEW STANDARDS AND INTERPRETATIONS ISSUED BY THE IASB BUT NOT YET APPLICABLE
At the date of preparation of these consolidated financial statements, the IASB had issued the following new standards/interpretations not yet effective:

New Standards/Interpretations endorsed by the EU

<u>Obligatory application as of 01/01/2019</u>

- **IFRS 16 (Leasing)**. IFRS 16 replaces IAS 17 (Leasing) and related Interpretations (IFRIC 4 Determining whether an arrangement contains a lease; SIC 15 Operating leases - Incentives; SIC 27 Evaluating the substance of transactions in the legal form of a lease). IFRS 16 applies retrospectively as of 1 January 2019. The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish leases from contracts for the provision of services, identifying the discriminating factors:
  - asset identification,
  - the right to replace it,
  - the right to obtain substantially all of the economic benefits derived from the use of the asset and,

- the right to direct the use of the asset underlying the contract.

The standard establishes a single model for the recognition and measurement of leases for the lessee, which requires that the leased asset, including operating leases, be recognised as an asset with a financial payable as balancing entry. By contrast, the standard does not include significant changes for lessors.

Leases payable, already previously classified according to IAS 17 as financial leases, will not undergo any change with respect to the current accounting representation, in full continuity with the past. On first application, for leases previously classified under IAS 17 as operating leases, the Mondo TV Group intends to apply the simplified retrospective method with the recognition of the financial liability for leases and the corresponding right-of-use value measured on the remaining contractual lease fees at the transition date.

In the Group, contracts that fall within the scope of IFRS 16 essentially refer to office buildings used as headquarters by the Parent Company and other Group companies and to some equipment.
The main impacts on the Group's consolidated financial statements are still being assessed and refined.

- **Amendments to IFRS 9: Prepayment features with negative compensation** Under IFRS 9, a debt instrument may be measured at amortized cost or fair value through profit or loss, provided that the contracted cash flows are "only principal and interest payments on the reference amount" (the SPPI criterion) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset exceeds the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination. The amendments must be applied retrospectively and are effective from 1 January 2019, and early application is permitted. These amendments had no impact on the Group's consolidated financial statements.

New Standards/Interpretations not yet endorsed by the EU

Obligatory application as of 01/01/2019
- IFRIC 23 - Uncertainty on the treatment of income taxes
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Improvements to IFRS (2015-2017 Cycle)
- Amendments to IAS 19: Plan amendment, curtailment or settlement

Obligatory application as of 01/01/2020
- Amendments to References to Conceptual Framework in IFRS

Obligatory application as of 01/01/2021
- IFRS 17: Insurance contracts

Any impacts on the Group's consolidated financial statements deriving from the new standards/interpretations are still being assessed.

OPERATING SEGMENTS

No segment other than the animation segment can be considered as a reportable segment at this time, nor does management use additional reporting with the characteristics applied to “segments” as provided for by IFRS 8.
The table below provides, comparative for 2018 and for 2017, the breakdown of Group revenues by geographical area. The allocation of revenue to a specific geographical area solely on the basis of the purchaser's nationality. Thus, the geographical distribution of rights sold was not taken into account.

Distribution/ allocation of revenue by geographical area

(Euro thousands)	**2018**	**2017**	**Change**

Geographical areas	Values	%	Values	%	Values	%
Italy	2,022	10%	3,180	10%	(1,158)	(36%)
Europe	1,390	7%	2,053	6%	(663)	(32%)
Asia	15,734	81%	27,124	83%	(11,390)	(42%)
Americas	301	2%	232	1%	69	30%
Africa	51	0%	4	0%	47	
Total revenue	**19,498**	**100%**	**32,593**	**100%**	**(13,095)**	**(40%)**

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

Breakdown of the library by geographical area						
(Euro thousands)	2018		2017		Change	
Geographical areas	**Values**	**%**	**Values**	**%**	**Values**	**%**
Italy	25,990	84%	35,874	81%	(9,884)	(28%)
France	1,593	5%	905	2%	688	76%
Spain	2,990	10%	7,070	16%	(4,080)	(58%)
Switzerland	315	1%	287	1%	28	10%
Total Library	**30,888**	**100%**	**44,136**	**100%**	**(13,248)**	**(30%)**

4 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

Changes in intangible assets				
(Euro thousands)	**Intangible rights**	**Intangible rights in progress**	**Other intangible assets**	**TOTAL**
Cost as at 31.12.2016	165,155	12,407	1,222	178,784
Amortisation and impairment at 31.12.2016	(146,209)	0	(1,219)	(147,428)
Net value as at 31.12.2016	**18,946**	**12,407**	**3**	**31,356**
FY 2017				
Acquisition for the year	18,959	0	10	18,969
Amortisation and impairment for the year	(6,176)	0	(1)	(6,177)
Cost as at 31.12.2017	184,114	12,407	1,232	197,753
Amortisation and impairment at 31.12.2017	(152,385)		(1,220)	(153,605)
Net value as at 31.12.2017	**31,729**	**12,407**	**12**	**44,148**
FY 2018				
Acquisition for the year	28,451	0	19	28,470
Amortisation and impairment for the year	(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 at 31.12.2018	(181,677)	0	(1,222)	(182,899)
Net value as at 31.12.2018	**30,888**	**0**	**29**	**30,917**

The item "Intangible rights" includes investments for the production and purchase of exploitation rights of films and animated series that constitute the Libraries of the Companies. There is always a high selection of purchases, in which the purchase of products with potential licensing, capable of attracting investments also from producers of toys and companies operating in the licensing sector, is increasingly privileged.

Acquisition for the year
The most significant investments relate to the production of the animated series *Yoohoo, Bat Pat, Meteo Heroes, Sissi, The Rowly Powlys, Invention Story, Beastkeepers, Naraka and Robot Trains* by the Parent Company and the series *Rocky* by the subsidiary Mondo TV France.

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

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

The third quarter saw a significant slowdown in sales in relation to certain Mondo TV productions in Asia.
In particular, the main customer of the *"Rowly Powlys"* and *"Dee and Duh"* series (Hong Kong Nine Technology), a few weeks after the passing away on 07 November 2018 of Orlando Corradi, founder of the company and creator and artistic and creative director of these products, made the decision to abandon the aforementioned projects.
In addition, the deterioration of the international economic situation and the slowdown of the Chinese economy, due in part to the war on tariffs between China and the USA, seem to have led to a significant restriction of bank credit in China, with a decrease in investments in media products in general and products of Western origin in particular.
As a result of these unexpected difficulties, the slowdown in revenues already highlighted in the third quarter as reported in the interim report for the nine months ended 30 September 2018 was not overcome.
In the second half of November, three major Asian customers (Broadvision Rights Ltd., Hong Kong Yiqi Culture Film & Television Media Co. Ltd. and New Information Tech.) formally communicated their intention to significantly review their investments in the *"Naraka", "Final Fight", "Play Time Buddies", "Beast Keepers", "Partidei"* and *"Adventures in Duckport"* projects, also as a result of the difficulties that have emerged in their reference markets in relation to the exploitation of these products. In particular, the difficulties of the above Asian customers, who had acquired rights to the aforementioned series, were justified by the significantly lower interest shown by Asian television stations in these products compared with previous expectations: the resulting prospects for a return on investment were therefore very limited on Asian markets, and were not even offset by revenues from exploitation in other parts of the world.
As a result of the communications from these Asian customers, the company has taken the decision to suspend further investments in these projects, as they now lack adequate economic coverage in terms of expected future revenues, and to start negotiations for the management of the various positions with the relative Asian partners.
On 31 December 2018, the Directors of the Parent Mondo TV S.p.A. therefore subjected intangible rights to impairment tests pursuant to IAS 36 in order to account for any impairment losses, also taking into account the significant events of the year outlined above. The test was conducted by comparing the carrying amount of the assets tested with the recoverable value, estimated in terms of value in use. In particular, the value in use was determined using the method of discounted cash flows, in the unlevered version. The cash flows used are those that are expected to be generated by the assets subject to analysis based on past experiences and expectations of developments in the markets in which the Group Companies operate.
Consistently with the previous years, based on the specific experience of Group Companies and the well-established practice in the sector, the cash flow has been calculated over a ten-year period (2019-2028) despite the fact that the company has full ownership of most of the library consisting of series with unlimited life.

The cash flows were discounted using a discounting rate (WACC) determined by applying the Capital Asset Pricing Model of 11.60%, as follows:

WACC

Free risk rate	3.00%
Share beta	1.00
Mkt risk premium	8.60%
Cost of Equity	**11.60%**
% MP	100.0%
Cost of Debt (gross)	3.95%
Tax rate	24.00%
Cost of Debt (net)	**3.00%**
WACC	**11.60%**

The considerations mentioned above and the particular type of business of the Company and its subsidiaries, intrinsically characterised by the potential to benefit from a long-term exploitation of the licenses acquired, allow us to conclude that the ten-year period used to test the Library's carrying amount for impairment appears reasonable.
Moreover, the expected future revenues, the forecasts of which have been based on the potential of the individual titles and on the commercial evidence available, have been assumed to be decreasing overall in the years of the plan subsequent to the fifth year of exploitation.

The impairment test was supplemented by carrying out sensitivity analyses on the risk factors identified and on certain parameters used to perform the impairment test (changes in expected revenues and increase in interest rates (WACC) over the time period considered). These analyses did not reveal any additional impairment risk factors to be taken into account in the preparation of the financial statements.

The impairment test carried out showed total impairment losses of Euro 32,881 thousand, of which Euro 24,475 thousand related to the animated series under termination by Asian customers, as summarised below:

(Migliaia di Euro)

Descrizione	NBV 31.12.2017	Investimenti 2018	Ammortamento 2018	Svalutazione per impairment	NBV 31.12.2018
Rowly Powlys	2.635	1.455	(647)	(3.443)	0
Dee and Duh	217	1.400	(236)	(1.381)	0
Naraka	1.633	9	(286)	(1.356)	0
Final Fight	1.689	531	(370)	(1.178)	671
Play Time Buddies	145	609	(110)	(32)	612
Beast Keepers	4.681	1.581	0	(5.560)	701
Partidei	4.459	1.566	0	(5.292)	733
Adventures in Duckport	5.769	1.669	0	(6.233)	1.204
Totale	**21.227**	**8.818**	**(1.649)**	**(24.475)**	**3.922**

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

Changes in tangible assets				
(Euro thousands)	Plant and machinery	Industrial and commercial equipment	Other assets	TOTAL
Cost as at 31.12.2016	2,390	1,241	883	4,514
Amortisation and impairment at 31.12.2016	(2,278)	(1,195)	(738)	(4,211)
Net value as at 31.12.2016	**112**	**46**	**145**	**303**
FY 2017				
Acquisition for the year	9	142	62	213

Depreciation and impairment for the year	(35)	(45)	(49)	(129)
Cost as at 31.12.2017	2,399	1,383	945	4,727
Amortisation and impairment at 31.12.2017	(2,313)	(1,240)	(787)	(4,340)
Net value as at 31.12.2017	**86**	**143**	**158**	**387**
FY 2018				
Acquisition for the year	16	0	106	122
Depreciation and impairment for the year	(36)	(44)	(60)	(140)
Cost as at 31.12.2018	2,415	1,383	1,051	4,849
Amortisation and impairment at 31.12.2018	(2,349)	(1,284)	(847)	(4,480)
Net value as at 31.12.2018	**66**	**99**	**204**	**369**

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

5 TAX ASSETS AND LIABILITIES

Deferred tax assets are recognised in financial statements to the extent they are likely to be recovered; in particular the recognition of deferred tax assets reflects the assessments made by the Board of Directors with regards to taxable income generated by Group operations in the near future so as to allow the recovery. To this end, when preparing the financial statements for the year ended 31 December 2018, the Business Plan as approved by the Board of Directors on 10 December 2018 was updated and supplemented with the new information available. No items have emerged from the new information available to require an amendment to the Business Plan approved in December 2018.

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

Breakdown of deferred tax assets and liabilities

(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Accumulated losses and other temporary differences	14,680	3,036	11,644
Total assets	**14,680**	**3,036**	**11,644**
Other temporary differences	66	0	66
Total liabilities	**66**	**0**	**66**
Net deferred tax assets	**14,614**	**3,036**	**11,578**

Changes in deferred tax assets and liabilities

(Euro thousands)	**31.12.2017**	**Increases**	**Decreases**	**31.12.2018**
Assets	3,036	12,570	(926)	14,680
Liabilities	0	66	0	66
Net deferred tax assets	**3,036**	**12,504**	**(926)**	**14,614**

During 2018, deferred tax assets increased by Euro 12,570 thousand mainly due to the temporary differences between statutory values and values for tax purposes generated mainly by the impairment of receivables and the impairment test on the library, while uses amounted to Euro 926 thousand, mainly for use of prior year losses.

The breakdown of deferred tax assets as at 31 December 2018, and changes from the previous year are shown below:

(Migliaia di Euro)

Natura	31.12.2017			31.12.2018			Variazione 2017/2018
	Importo	%	Ires	Importo	%	Ires	
Perdite fiscali	6.569	24%	1.577	3.819	24%	917	(660)
Fondo rischi su crediti tassato	4.597	24%	1.103	22.894	24%	5.495	4.391
Svalutazione library	-	24%	-	28.296	24%	6.791	6.791
Altre differenze temporanee	1.485	24%	356	476	24%	114	(242)
Totale Ires	**12.652**		**3.036**	**55.484**		**13.316**	**10.280**
Svalutazione library	-	4,82%	-	28.296	4,82%	1.364	1.364
Totale Irap	**-**		**-**	**28.296**		**1.364**	**1.364**
Totale	**12.652**		**3.036**	**83.780**		**14.680**	**11.644**

The recoverability of deferred tax assets recognised in the financial statements in the next years is related to the actual achievement of the objectives set in the 2019-2023 Plan, approved by the Parent's Board of Directors on 10 December 2018, characterised by the uncertainties typical of a forecast Business Plan.

Breakdown of tax receivables and payables

(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
IRES (Corporate Income Tax)	264	605	(341)
IRAP (Regional Business Tax)	87	631	(544)
VAT	805	571	234
Foreign tax receivables	205	0	205
Other tax receivables	2,327	2,105	222
Total tax assets	**3,688**	**3,912**	**(224)**
VAT	8	13	(5)
Payables for withholding tax on third-party remuneration	294	271	23
Income taxes due abroad	153	369	(216)
Total tax liabilities	**455**	**653**	**(198)**

The item Ires and Irap, attributable to the Parent Company, consists of the tax advances paid for the year 2018 and the IRES receivable deriving from the 2018 tax statement (Modello Unico 2018).

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

6 CURRENT AND NON-CURRENT RECEIVABLES

The breakdown of receivables is shown in the table below.

Breakdown of non-current trade receivables

(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Financial receivables due from third parties	0	162	(162)
Other receivables	31	194	(163)
TOTAL	**31**	**356**	**(325)**

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

Breakdown of trade and other receivables			
(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Due from customers	46,277	45,208	1,069
Due from customers for invoices to be issued	3,727	2,988	739
Other receivables	544	3,188	(2,644)
Allowance for doubtful debts	(29,926)	(4,429)	(25,497)
TOTAL	**20,622**	**46,955**	**(26,333)**

Receivables due from others can be broken down as follows:

Breakdown of receivables due from others			
(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Due from suppliers for advances	0	5	(5)
Due from employees	19	0	19
Co-production in progress	0	2,766	(2,766)
Other receivables	510	417	93
TOTAL	**529**	**3,188**	**(2,659)**

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

Breakdown of the allowance for doubtful debts		
	31.12.2018	**31.12.2017**
Opening allowance for doubtful debts	**4,429**	**3,526**
Allowance for the period	23,879	1,190
Used in the year	0	(287)
Other changes	1,618	0
Closing allowance for doubtful debts	**29,926**	**4,429**

Allocations for the year, amounting to Euro 23,879 thousand, were recognised based on a thorough analysis of all outstanding receivables and represent the best estimate, which takes into account the information available as at the date of the preparation of these financial statements and the risk of customers not fulfilling their obligations for invoices issued and to be issued.

In particular, with reference to the credit positions with the four Asian customers who in November 2018 communicated their intention to discontinue their investments in the animated series referred to in the commercial agreements previously signed (as outlined in Note 4 Intangible assets and property, plant and equipment in these notes), the assessments for the purpose of recoverability of trade receivables outstanding at the date of preparation of the financial statements also took into account the following.

In March, Mondo TV S.p.A. reached settlement agreements with three of the four Asian customers who had sent termination in relation to certain existing sales contracts (see the section Relations with the parent company's main customers and effects on the financial statements in this Report).

Specifically, an agreement was entered into with the customer Broadvision Rights Ltd. on 14 March 2019 outlining the following: 1) Broadvision Rights Ltd. complains about delays in deliveries by Mondo TV S.p.A. and disputes the quality of the productions carried out, while Mondo TV S.p.A. fully rejects the objections of Broadvision Rights Ltd.; 2) the definitive cancellation of the third series provided for in the contract and not yet started is established, while as regards the two existing productions, the following is established:

- Mondo TV S.p.A. is entitled to retain the amount already received for the animated series *Play time Buddies* and will regain full ownership of the distribution rights, while further payments by Broadvision Rights Ltd. for the series will cease;
- the animated series *Sissi third season* was halved, passing to 26 episodes, in a format that is in any case very commercial with an investment by Broadvision Rights Ltd. that fell to USD 2,400 thousand (originally USD 4,800 thousand);
- the minimum guaranteed amount of USD 500 thousand that Mondo TV S.p.A. should have paid to Broadvision Rights Ltd. was cancelled.

With regard to relations with Hong Kong Yiqi Culture, the companies have reached a settlement agreement whereby Mondo TV S.p.A. will retain the amount already collected, equal to approximately USD 11,900 thousand for the old library and USD 3,900 thousand for the part relating to the new productions, for a total of USD 15,800 thousand, waiving any further claims, however immediately returning to possession of the rights to exploit both the old library and the new series (*Duckport*, *Partidei* and *Beastkeepers*).
Accordingly, the parties mutually waive their right to take legal action with respect to the contracts governed by the settlement agreement, and the contracts relating to the animated series *Bat Pat* and *Meteo Heroes* shall continue as normal.

With regard to relations with Hong Kong Nine Technology, the companies have reached a settlement agreement that provides for the replacement of the two animated series *Rowly Powly* and *Dee and Doo* with two new animated series currently being negotiated by Mondo TV S.p.A. with third-party co-producers and approved by Hong Kong Nine Technology.

Finally, with regard to relations with New Information Tech, following contract termination, Mondo TV S.p.A. sent a communication to the customer in which it contested the validity of the termination, complaining about delays in payments and reiterating that the contract, which does not provide for a performance guarantee by Mondo TV S.p.A., must be considered to be still in place and therefore invites New Information Tech to fulfil its obligations. Otherwise, Mondo TV will take the necessary action to recover the credit.
In a subsequent reply, New Information Tech. reiterated the validity of the termination, contesting the delays in the production of the two projects that made the commercial exploitation of the two series impossible, reiterating that in the event of a dispute, they would request the restitution of the sums already paid and the relative damages. At present, Mondo TV S.p.A.'s lawyers have been appointed to agree on the action to be taken.

The provision for the year, amounting to a total of Euro 23,879 thousand, is attributable for Euro 15,985 thousand to the positions with Asian customers indicated above, as summarised below:

(Migliaia di Euro)

Cliente	Valore nominale 31/12/2018		Anticipi da clienti	Accantonamento	NBV 31/12/2018
	Fatture emesse	Fatture da emettere			
Broadvision Rights Ltd.	5.467	0	(958)	(4.508)	0
Hong Kong Yiqi Culture	7.554	0	0	(2.908)	4.645
Hong Kong Nine Technology	8.249	0	0	(3.979)	4.271
New Information Tech.	2.541	2.049	0	(4.590)	0
Totale	**23.810**	**2.049**	**(958)**	**(15.985)**	**8.916**

7 OTHER ASSETS

The item under review, equal to Euro 462 thousand (Euro 334 thousand as at 31 December 2017), mainly includes costs pertaining to future years.

8 CASH AND CASH EQUIVALENTS

The breakdown of the item is shown in the following table.

Breakdown of cash and cash equivalents			
Description	**31.12.2018**	**31.12.2017**	**Change**
Bank and postal deposits	12,438	2,405	10,033
Cash and other cash assets	25	3	22
TOTAL	**12,463**	**2,408**	**10,055**

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

9 EQUITY

The share capital at 31 December 2018 was equal to Euro 18,207,106 and consisted of 36,414,212 ordinary shares with a nominal value of Euro 0.50.

The number of outstanding shares increased by 5,798,659 shares in the year due to the extraordinary finance transactions with Atlas Alpha Yield Fund and Atlas Capital Markets:

- on 5 January 2018, the Parent Company Mondo TV sent Atlas Alpha Yield Fund and Atlas Capital Markets a new request for issue under the investment agreement stipulated by the Company with which Atlas has undertaken to subscribe, directly or through a party possibly designated under the Contract, in several tranches and only following specific subscription requests made by the Company, 60 bonds convertible into shares for a value of Euro 250,000 each.
  The subject of the Request was the fourth and last tranche of 12 bonds for a total counter-value of Euro 3,000,000.
  As at the date of this report, the fourth and final tranche of the agreement with Atlas Alpha Yield Fund and Atlas Capital Markets has been fully converted to equity.

- On 18 April 2018, the Mondo TV Board of Directors approved the execution of an investment agreement with Atlas Special Opportunities to issue a new line of convertible bonds for up to Euro 18 million in only 2 tranches of Euro 11 million and Euro 7 million to be called by 2019.
  Mondo TV also issued a global warrant in favour of Atlas, exercisable within five years from the issue date, for the subscription of 450,000 Mondo TV shares at the price of Euro 7.50 per share for a maximum total value of Euro 3,375,000.
  During 2018, both tranches of the agreement with Atlas Special Opportunities with a total value of Euro 18 million were called and fully converted into equity.

As part of the extraordinary finance transactions carried out in the year and in previous years, the Parent Company assigned warrants free of charge to its counterparties, giving them the right to subscribe to shares in Mondo TV S.p.A. The following is a summary of the warrants outstanding as at 31 December 2018:

Summary of warrants outstanding				
Transaction	**Shares (number)**	**Exercise price (Euro)**	**Maturity**	**Maximum counter-value (Euro)**
GEM	500,000	6.5	31/08/2019	3,250,000
GEM	1,500,000	8.0	31/08/2019	12,000,000
GEM	500,000	10.0	31/08/2019	5,000,000
Total GEM (a)	**2,500,000**			**20,250,000**
Atlas	215,000	6.5	01/04/2021	1,397,500
Atlas	640,000	8.0	01/04/2021	5,120,000
Atlas	215,000	10.0	01/04/2021	2,150,000

Total Atlas (b)	**1,070,000**			**8,667,500**
Atlas	450,000	7.5	19/04/2023	3,375,000
Total Atlas (c)	**450,000**			**3,375,000**
Total warrants outstanding	**4,020,000**			**32,292,500**

In particular:

a) The Extraordinary Shareholders' Meeting of the Parent Company held on 30 March 2016 approved the signing of an agreement with GEM Global Yield Fund Limited and GEM Investments America LLC whereby GEM undertook to subscribe, at the request of the Company itself in several tranches and with a timing of the issues governed by the Company, to the Capital Increase with the exclusion of the option right reserved to GEM in the form of a Share Subscription Facility, up to a maximum amount of Euro 35 million, over a period of three years from the effective date, exclusively on the basis of subscription requests made by the Company in accordance with the terms and conditions contained in the GEM Agreement. The GEM Agreement also provides for the free assignment to GEM of a warrant giving it the right to subscribe:

- 500,000 Mondo TV shares at a price of Euro 6.50 per share;
- 1,500,000 Mondo TV shares at a price of Euro 8 per share;
- 500,000 Mondo TV shares at a price of Euro 10 per share;

subject to adjustments, for a countervalue of Euro 20.250 million, including share premium, to be exercised within 3 years from the date of the relative issue.

b) The Extraordinary Shareholders' Meeting of 6 September 2016 of the Parent Company approved the issue of a bond convertible into newly issued ordinary shares of the Company pursuant to article 2420-bis, paragraph 1, of the Italian Civil Code with the exclusion of option rights pursuant to article 2441, paragraphs 5 and 6, of the Italian Civil Code, reserved for Atlas Alpha Yield Fund, and/or for a third party, for a maximum amount of Euro 15 million, including share premium, to be paid, even in more than one tranche, through the issue of new ordinary Mondo TV shares with a nominal value of Euro 0.50 each, with the same rights and characteristics as the ordinary Mondo TV shares outstanding at the issue date, establishing that the number of shares to be issued will be determined on a case-by-case basis according to the mechanism set out in the Bond Regulations.
The undersigned agreement also provides for the issue of 3 warrants to be assigned free of charge to Atlas Alpha Yield Fund together with the first tranche of the convertible bonds - and/or to a third party other than Atlas, as may be designated under the existing agreements or as the assignee of the same - which will give the bearer the right to subscribe to a further maximum of 1,070,000 ordinary Mondo TV shares, with a nominal value of Euro 0.50 each, newly issued as follows:

- 215,000 Mondo TV S.p.A. shares at a price of Euro 6.50 per share, including premium;
- 640,000 Mondo TV S.p.A. shares at a price of Euro 8.00 per share, including premium;
- 215,000 Mondo TV S.p.A. shares at a price of Euro 10.00 per share, including premium,

exercisable during the period from 1 April 2018 to 1 April 2021, under the terms and conditions set out in the relevant regulation.

c) The Extraordinary Shareholders' Meeting of 21 May 2018 of the Parent Company approved the issuance of a bond convertible cum warrant into newly issued ordinary shares of the Company pursuant to article 2420-bis, paragraph 1, of the Italian Civil Code with the exclusion of option rights pursuant to article 2441, paragraphs 5 and 6, of the Italian Civil Code, reserved for a single qualified investor, Atlas Special Opportunities LLC and/or third parties that may be designated, for a maximum nominal amount of Euro 18,000,000, represented by a maximum total of 72 convertible bonds with a nominal value of Euro 250,000 each.
At the same time as the issue of the first tranche of Bonds, the contract signed also provides for the free issue to Atlas of 450,000 Warrants that will confer the right to subscribe, in the period of 5 years from their issue, an ordinary share of the Company, therefore up to a maximum number of 450,000 ordinary shares of Mondo TV S.p.A. at the price of Euro 7.50 which, subject to adjustments, will have a maximum counter-value of Euro 3,375,000 (including the share premium).

No shares other than ordinary shares exist, nor rights, privileges or restrictions for any category of shares. The Company owns no treasury shares and the Mondo TV Group's subsidiaries do not own any shares of the Parent.

Equity reserves are broken down as follows:

Equity reserves		
(Euro thousands)	**31.12.2018**	**31.12.2017**
Share premium provision	45,868	27,767
Legal reserve	3,061	2,642
Other reserves	10,194	10,639
Retained earnings (accumulated losses)	20,365	7,967
Profit (loss) for the year	(39,514)	12,817
TOTAL	**39,974**	**61,832**

The increase in the share premium provision is attributable to the extraordinary finance transactions entered into with Atlas, while the increase in the item Other reserves is attributable to the sale in the year of minority portions mainly of Mondo TV Suisse S.A. and Mondo TV France S.A.; lastly, the increase in the retained results is due to the carry forward of 2017 profits.

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

10 POST-EMPLOYMENT BENEFITS AND PROVISIONS FOR RISKS AND CHARGES

The item is broken down as follows.

Post-employment benefits and Provisions for risks and charges			
(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Provision for post-employment benefits	**545**	**482**	**63**
Provision for tax risks and charges	27	52	(25)
Other provisions	0	2	(2)
PROVISION FOR RISKS AND CHARGES	**27**	**54**	**(27)**
beyond 12 months	0	0	0
within 12 months	27	54	(27)
TOTAL PROVISION FOR RISKS AND CHARGES	**27**	**54**	**(27)**

Changes in Post-employment benefits and Provisions for risks and charges				
(Euro thousands)	**31.12.2017**	**allocations**	**uses**	**31.12.2018**
Provision for post-employment benefits	482	74	(11)	545
Provision for tax risks and charges	52	0	(25)	27
Other provisions	2	0	(2)	0

TOTAL	**536**	**74**	**(38)**	**572**
beyond 12 months	482			545
within 12 months	54			27
TOTAL	**536**			**572**

As far as risks related to ongoing litigation are concerned, there are no further risks not reflected in the provisions for risks.

11 CURRENT AND NON-CURRENT PAYABLES

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

Breakdown of non-current financial payables			
(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Payables due to banks	1,117	418	699
Other financial payables	205	330	(125)
Total	**1,322**	**748**	**574**

Breakdown of trade payables			
(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Due to suppliers	17,876	11,649	6,227
Other payables	3,755	3,019	736
Total trade payables	**21,631**	**14,668**	**6,963**

Payables due to suppliers mainly refer to the provision of services necessary for the production and sale of film rights, as well as to the activities performed by consultants to the benefit of the Group during 2018.

Breakdown of other payables			
(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Payables for wages, salaries and fees	528	481	47
Due to social security institutions	302	382	(80)
Advances from customers	2,464	1,637	827
Advances from coproducers	367	433	(66)
Other payables	94	86	8
Total other payables	**3,755**	**3,019**	**736**

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.

The item “Advances from coproducers” is mainly represented by the advances received in relation to the animated series being produced.

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

Breakdown of current financial payables			
(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Due to banks for leases	69	96	(27)
Bank overdrafts	3,007	3,515	(508)

Total	3,076	3,611	(535)

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

Reference should be made to note 11 for further details regarding payables due to credit institutions.

The due dates of the liabilities as at 31 December 2018 are detailed below.

The Mondo TV Group					
Worst case repayment date	**on demand**	**due within 12 months**	**between 12 and 36 months**	**after 36 months**	**Total**
Non-current financial payables	**-**	**-**	**452**	**-**	**452**
Other non-current financial payables	-	-	201	-	201
Medium/long-term financial payables due to banks	-	-	251	-	251
Current financial payables net of cash	**-**	**-**	**-**	**-**	**-**
Short-term financial payables due to third parties	-	-	-	-	-
Trade and other payables	**-**	**21,264**	**-**	**-**	**21,264**
Total as at 31 December 2018	**-**	**21,264**	**452**	**-**	**21,716**

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

12 OTHER LIABILITIES

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

They amount to Euro 0 thousand as at 31 December 2018 compared to Euro 3,611 thousand as at 31 December 2017.

13 TAX POSITION

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

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

- the first notice refers to IRES for 2010. The higher tax ascertained amounted to Euro 1.1 million plus interest and penalties of the same amount and refers, at least in the main notice, to the non-declaration of positive elements for about Euro 4 million.
  The company, while not agreeing in any way with the findings submitted, presented on 25 November 2015 application for tax settlement only to reset the amount due by separating the tax losses of the year

2005 that can no longer be carried forward. On 18 February 2016, the act of adhesion was signed at the offices of the Revenue Agency of Rome 1, by means of which the assessment was defined, which therefore closed without any charge for Mondo TV S.p.A.

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

In July 2017, the Rome Provincial Tax Department fully accepted the appeal filed by the Company against the assessment notices related to 2010. The first instance ruling was then upheld by the Regional Tax Department for Lazio in July 2018. Therefore, the judgement concluded positively for the Company, as no appeal was filed with the Court of Cassation by the Revenue Agency.

In the grounds on which the appeal was upheld, the Tax Commission substantially confirmed the position of the Board of Directors of the Company that considered the hypothesis of losing "scarcely probable" and therefore did not proceed with any provision in the financial report of previous years in relation to the above position.

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

- the first notice refers to VAT and IRAP; the higher VAT ascertained amounts to Euro 536 thousand plus interest, while the penalties amount to Euro 603 thousand; no higher was IRAP ascertained.
  On 16 February 2017, the company filed an appeal against the notice of assessment notified to the Revenue Agency.
  On 8 May 2018, the Rome Provincial Tax Department fully upheld the appeal filed by the Company against the assessment notice for the portion relating to VAT and IRAP.

- The second notice refers to IRES for 2011; the higher IRES ascertained amounts to Euro 724 thousand plus interest, while the penalties amount to Euro 651 thousand.
  For this second notice, the company filed a petition for recalculation to offset losses and reduce penalties, and then appealed to the outcome of the recalculations, for which we are currently waiting for the outcome of the ruling.

In relation to the financial year 2012, on 24 October 2017, the Revenue Agency notified the Parent Company of the assessment notice disputing a lower loss for the year for Euro 100 thousand and higher VAT for Euro 21 thousand, plus interest and penalties. The company appealed against the Revenue Agency in December 2017.

In consideration of the lack of any basis in the judgement of the findings contained in the Formal Notice of Assessment (PVC) of the Guardia di Finanza as reported slavishly by the Revenue Agency in the consequent Notices of Assessment notified, the Directors, also comforted by the judgements issued for 2010 and 2011 and the opinion of the specially appointed consultants, deem scarcely likely that the company may lose in this dispute, and therefore, consistent with the assessments made in the financial report of previous years, no provision was made at 31 December 2018.

An audit is currently underway by the Revenue Agency aimed at the offsets made in 2014 with the use of tax credits resulting from the transformation of deferred tax assets. The audit is in the initial phase of acquiring documentation relating to the formation of the credit and subsequent uses.
Therefore, in light of the above, at this stage, it is not possible to predict the possible outcome of the audit in progress.

14 CONTINGENT LIABILITIES

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

15 COMMITMENTS

Commitments undertaken by the Group and not recognised under payables or provisions for risks and charges refer to:
- a guarantee of Euro 304 thousand for a short-term credit line to be used as a self-liquidating loan issued by Confartigianato Fidi in favour of Veneto Banca (now Intesa San Paolo);
- a guarantee of Euro 162 thousand issued by Banca Popolare dell'Emilia Romagna in favour of SIMEST.

16 REVENUES FROM SALES AND OTHER REVENUES

These totalled Euro 18,914 thousand, a decrease of Euro 13,105 thousand compared to the previous year:

Revenue from sales and services			
(Euro thousands)	**2018**	**2017**	**Change**
Revenue from sales of rights	13,642	10,115	3,527
Revenue from licensing	436	16,149	(15,713)
Revenue from production services	4,783	5,739	(956)
Other income	53	16	37
Total	**18,914**	**32,019**	**(13,105)**

Revenues from sales and services decreased from Euro 32,109 thousand in 2017 to Euro 18,914 thousand in 2018; the significant decrease in revenues of Euro 13,105 thousand was mainly due to the events that emerged in relation to the four Asian customers in the second half of the year, as described in detail in the report on operations and in notes 4 (Intangible assets and property, plant and equipment) and 6 (Current and non-current receivables) of these notes.

Other revenues amounted to Euro 584 thousand (Euro 574 thousand at 31 December 2017).

17 CAPITALISATION OF INTERNALLY PRODUCED SERIES

The Group produces animated series in-house, incurring, in addition to external costs of direction, screenplay, animation studies and music, the internal costs as well, concerning both the pre-production and post-production phases. These costs are recognised and attributed to the series in progress. Directors recognise the series produced in-house as assets in the statement of financial position when they satisfy the definition of intangible assets in compliance with IAS 38.
The Group capitalises these costs only when the costs incurred for the production of animated series refer to the development phase: until then, expense incurred is recognised in profit or loss.
The capitalisation of the animated series realised internally concerns the capitalisation of the costs incurred by the Parent Company in relation to the production of its animated series and the capitalisation of costs by the subsidiary Mondo TV France.
The capitalised costs consist of approximately Euro 1,681 thousand in labour costs and of approximately Euro 1,020 thousand in operating costs due to third parties.

18 RAW MATERIALS, CONSUMABLES AND GOODS

This item, equal to Euro 57 thousand (Euro 90 thousand in 2017), represents the cost incurred by the Group for consumables.

19 PERSONNEL COSTS

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

Personnel costs			
(Euro thousands)	**2018**	**2017**	**Change**
Salaries and wages	2,916	2,488	428
Social security costs	826	667	159
Post-employment benefits	74	86	(12)
Total	**3,816**	**3,241**	**575**

The increase in personnel costs is attributable to that of the Group's workforce as broken down below by category:

Group's human resources (average figure)		
	31.12.2018	**31.12.2017**
White-collar workers	42	34
Middle-managers	3	3
Executives	4	4
Total	**49**	**41**

20 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the item is shown below:

Breakdown of depreciation, amortisation and impairment			
(Euro thousands)	**2018**	**2017**	**Change**
Proprietary rights	7,780	5,084	2,696
Temporary licenses	1,038	1,092	(54)
Other intangible assets	2	1	1
Library impairment	32,881	0	32,881
Total intangible assets	***41,701***	***6,177***	***35,524***
Total tangible assets	***140***	***129***	***11***
Allowance for doubtful debts	***23,879***	***1,190***	***22,689***
Total depreciation, amortisation and impairment	**65,720**	**7,496**	**58,224**

For further details and information, reference is made to the related section of the balance of these notes. In particular, with reference to the impairment of the library and allowance for doubtful debts, reference should be made to note 4 (Intangible assets and property, plant and equipment) and note 6 (Current and non-current receivables) of these notes respectively.

21 OTHER OPERATING COSTS

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

Other operating costs			
(Euro thousands)	**2018**	**2017**	**Change**
Production costs	2,389	262	2,127
Marketing and commercialisation costs	938	904	34
Consulting services	431	403	28
Remuneration to corporate bodies	448	550	(102)
Other services	1,980	1,823	157
Service costs	**6,186**	**3,942**	**2,244**
Equipment hire and rents	546	557	(11)
Costs associated with leased assets	**546**	**557**	**(11)**
Sundry operating costs	**399**	**1,108**	**(709)**
Total	**7,131**	**5,607**	**1,524**

Higher operating costs (Euro 7,131 thousand at 31 December 2018 compared to Euro 5,607 thousand at 31 December 2017) are attributable to higher production costs (Euro 2,127 thousand) mainly due to the higher volume of production of the subsidiary Mondo TV France.

22 FINANCIAL INCOME AND EXPENSES

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

Financial income and expenses			
(Euro thousands)	**2018**	**2017**	**Change**
Financial income			
Other financial income	0	10	(10)
total financial income	*0*	*10*	*(10)*
Financial expenses			
Bank interest	(206)	(194)	(12)
Bank fees	(116)	(52)	(64)
Other financial expenses	(35)	(192)	157
total financial expenses	*(357)*	*(438)*	*81*
exchange rate gains and losses			
Exchange rate gains	1,430	565	865
Exchange rate losses	(566)	(2,291)	1,725
total exchange rate gains and losses	*864*	*(1,726)*	*2,590*
TOTAL	**507**	**(2,154)**	**2,661**

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

23 TAXES

The breakdown is shown in the table below.

Breakdown of taxes			
(Euro thousands)	**2018**	**2017**	**Change**
Previous years' taxes	**(6)**	**3**	**(9)**
Current taxes	**(268)**	**(1,351)**	**1,083**
Changes in tax rate	0	0	0
Prepaid taxes of previous years recognised in profit or loss	(922)	(2,406)	1,484
Deferred tax liabilities of previous years recognised in profit or loss	0	222	(222)
Deferred tax assets for the year	12,775	416	12,359
Deferred tax liabilities for the year	(66)	0	(66)
Prepaid (deferred) taxes	**11,787**	**(1,768)**	**13,555**
Taxes for the year	**11,513**	**(3,116)**	14,629
IRES (Corporate Income Tax)	10,205	(2,203)	12,408
IRAP (Regional Business Tax)	1,188	(654)	1,842
Taxes foreign subsidiaries	120	(259)	379
Taxes for the year	**11,513**	**(3,116)**	**14,629**

24 DIVIDENDS

No dividend was resolved or distributed in 2018.

25 BASIC AND DILUTED EARNINGS PER SHARE

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

Calculation of basic and diluted earnings (loss) per share	2018	2017
Average number of shares during the year	33,698,910	29,786,110
Profit (loss) for the year (in thousands of Euro)	(39,514)	12,817
Basic and diluted earnings (loss) per share	**(1.17)**	**0.43**

The diluted earnings (loss) per share as at 31 December 2018 correspond to the basic earnings per share since there is no dilution effect.

26 FINANCIAL RISK MANAGEMENT

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. 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:

a) Credit risk
b) Liquidity risk
c) Exchange rate risk
d) 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)
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
The positions for which a risk of partial or total non-collectability is noted, are subject to individual impairment. Performing trade receivables have not been impaired since no significant indication of impairment emerged, based on an analysis conducted that took into account both the reliability of the individual customers, and the high distribution of credit risk.

Liquidity risk

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

The following table shows the breakdown of Mondo TV Group's credit lines, expressed in millions of Euro, made available by banks as at 31 December 2018:

	CREDIT LINES - MONDO TV GROUP - 31.12.2018			
(values in Euro millions)	**Cash**	**Trade**	**Loans**	**Total**
UBS	0	1	0	**1**
Credit Suisse	0	0.25	0	**0.25**
Unicredit	0	0	0	**0.0**
BNL	0	0	0	**0.0**
CREDEM	0	0.4	0	**0.4**
CREDEM FACTORING	0	1	0	**1**
SIMEST	0	0	0.2	**0.2**
Veneto Banca	0	0	0.25	**0.25**
Total	**0**	**2.65**	**0.45**	**3.1**

Exchange rate risk

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

Interest rate risk

The interest rate fluctuations influence the cash flows, the market value of the company's financial assets and liabilities, and the level of the net financial income/expenses.
In consideration of the low financial exposure, the Group Companies are marginally subject to interest rate risk.

2. Risks associated with dependency on key managers

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

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.

4. Other information

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

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

Consolidated net financial position			
(Euro thousands)	**31.12.2018**	**31.12.2017**	**Change**
Cash and cash equivalents	12,463	2,408	10,055
Current financial payables due to banks	(3,076)	(3,611)	535
Net current financial position	**9,387**	**(1,203)**	**10,590**
Payables for convertible bonds	0	(330)	330
Non-current payables due to banks	(1,322)	(418)	(904)
Net non-current financial position	**(1,322)**	**(748)**	**(574)**
Net financial debt as per comm. Consob DEM/6064293	**8,065**	**(1,951)**	**10,016**
Non-current receivables due from third parties	0	162	(162)
Consolidated net financial position	**8,065**	**(1,789)**	**9,854**

27 REMUNERATION TO CORPORATE BODIES

During the year ended 31 December 2018, the Parent's Board of Directors earned remuneration net of social security costs of Euro 276 thousand as resolved by the Company's Ordinary Shareholders' Meeting on 30 April 2018 and by the Board of Directors' meeting of 01 June 2018. Remuneration is broken down as follows:

(Euro thousands)	**31.12.2018**	**31.12.2017**
Remuneration	195	276
Post-employment benefits	-	-
Other long-term benefits	-	-
Indemnities for the termination of employment	-	-
Stock options	-	-
TOTAL	**195**	**276**

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

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

Surname	Name	Office held	Annual remuneration
Corradi	Monica	Board Member of Mondo TV S.p.A.	92
Corradi	Matteo	Director of Mondo TV S.p.A., Chair of Mondo France, CEO Mondo TV S.p.A., Director Mondo TV Suisse S.A. and Director Mondo TV Iberoamerica S.A.	200
Fedele	Aurelio	Board Member of Mondo TV S.p.A.	20
Marchetti	Carlo*	Director of Mondo TV S.p.A., Mondo TV France and Mondo TV Iberoamerica	156
Mola	Angelica	Board Member of Mondo TV S.p.A.	13
		Total Directors	**481**
Ferrari	Marcello	Chair of the Board of Statutory Auditors of Mondo TV S.p.A.	15
Barra	Adele	Member of the Board of Statutory Auditors of Mondo TV S.p.A.	10
Romani	Vittorio	Auditor of Mondo TV	10
		Total Statutory Auditors	**35**
		Total Directors and Statutory Auditors	**516**

* Of which Euro 96 thousand as executive compensation, Euro 15 thousand as Director of the Parent Company Mondo TV, Euro 20 thousand as Director of Mondo TV France S.A. and Euro 25 thousand as Director of Mondo TV Iberoamerica.

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

28 REMUNERATION OF THE INDEPENDENT AUDITOR

As required by article 149-duodecies of the CONSOB Issuers' Regulation, the fees recorded by the Company in relation to the audit services during 2018 are provided below. The amounts relating to the activities performed for 2018 and the supplementary remuneration resolved are shown separately in the table by individual company. Audit services, audit support services and services related to fairness opinions were provided during the year.

Euro thousands

Type of service	Service provider	Recipient	2018 Fees
Audit	BDO Italia	Parent Company	55
Other services	BDO Italia	Parent Company	29
Audit	BDO Italia	Subsidiaries	30
Audit	BDO Auditores S.L.P. (*)	Subsidiaries	46
Total			**160**

(*) Foreign independent auditors belonging to the BDO network

29 INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of trade receivables and other financial assets, of trade and other payables and of other financial liabilities, recorded under the "current" items of the statement of financial position and measured using the amortised cost method, does not diverge from the carrying amounts as at 31 December 2018 since it mainly refers to assets underlying commercial dealings which are expected to be settled in the short term.
Non-current financial assets and liabilities are settled at market rates and therefore their fair value is essentially deemed to be in line with the current market value. Therefore, there are no differences between their fair value and their carrying amount.

30 ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication DEM/6064293 of 28 July 2006 "Disclosure for listed issuers and issuers of financial instruments widely distributed among the public pursuant to article 116 of the Consolidated Finance Act (TUF, Testo Unico della Finanza) – 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

To date, there have been no events after 31 December 2018 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the financial statements.

In March, Mondo TV S.p.A. reached settlement agreements with three of the four Asian customers who had sent termination in relation to certain existing sales contracts (see the section Relations with the parent company's main customers and effects on the financial statements in this Report).

Specifically, an agreement was entered into with the customer Broadvision Rights Ltd. on 14 March 2019 outlining the following: 1) Broadvision Rights Ltd. complains about delays in deliveries by Mondo TV S.p.A. and disputes the quality of the productions carried out, while Mondo TV S.p.A. fully rejects the objections of Broadvision Rights Ltd.; 2) the definitive cancellation of the third series provided for in the contract and not yet started is established, while as regards the two existing productions, the following is established:

- Mondo TV S.p.A. is entitled to retain the amount already received for the animated series *Play time Buddies* and will regain full ownership of the distribution rights, while further payments by Broadvision Rights Ltd. will cease for the series in question.
- the animated series *Sissi third season* was halved, passing to 26 episodes, in a format that is in any case very commercial with an investment by Broadvision Rights Ltd. that fell to USD 2,400 thousand (originally USD 4,800 thousand);
- the minimum guaranteed amount of USD 500 thousand that Mondo TV S.p.A. should have paid to Broadvision Rights Ltd. was cancelled.

With regard to relations with Hong Kong Yiqi Culture, the companies have reached a settlement agreement whereby Mondo TV S.p.A. will retain the amount already collected, equal to approximately USD 11,900 thousand for the old library and USD 3,900 thousand for the part relating to the new productions, for a total of USD 15,800 thousand, waiving any further claims, however immediately returning to possession of the rights to exploit both the old library and the new series (*Duckport*, *Partidei* and *Beastkeepers*).
Accordingly, the parties mutually waive their right to take legal action with respect to the contracts governed by the settlement agreement, and the contracts relating to the animated series *Bat Pat* and *Meteo Heroes* shall continue as normal.

With regard to relations with Hong Kong Nine Technology, the companies have reached a settlement agreement that provides for the replacement of the two animated series *Rowly Powly* and *Dee and Doo* with two new animated series currently being negotiated by Mondo TV with third-party co-producers and approved by Hong Kong Nine Technology.

Finally, with regard to relations with New Information Tech, following contract termination, Mondo TV S.p.A. sent a communication to the customer in which it contested the validity of the termination, complaining about delays in payments and reiterating that the contract, which does not provide for a performance guarantee by Mondo TV S.p.A., must be considered to be still in place and therefore invites New Information Tech to fulfil its obligations. Otherwise, Mondo TV will take the necessary action to recover the credit.
In a subsequent reply, New Information Tech. reiterated the validity of the termination, contesting the delays in the production of the two projects that made the commercial exploitation of the two series impossible, reiterating that in the event of a dispute, they would request the restitution of the sums already paid and the relative damages. At present, Mondo TV S.p.A.'s lawyers have been appointed to agree on the action to be taken.

On 15 March 2019, the first 26 episodes of the animated series Yoohoo and Friends were available globally on the Netflix platform.

The Board of Directors' meeting of 29 March 2019 authorised the publication of these financial statements.

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

____

(Matteo Corradi)

Certification of the consolidated financial statements as at 31 December 2018 in compliance with art. 154-bis, paragraph 5, of Legislative Decree 58/1998 as subsequently amended and supplemented

1. The undersigned Matteo Corradi and Carlo Marchetti, in their respective capacities as CEO and Head of Financial Reporting of the Mondo TV Group. (the **Group**) certify, also taking into account the provisions of 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 consolidated financial statements as at 31 December 2018.

2. No significant aspects have emerged.

3. It is also certified that:

3.1 the consolidated financial statements as at 31 December 2018:

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

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

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

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

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

Rome, 29 March 2019

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

ANNEXES

1 CORPORATE BODIES AND COMMITTEES 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

2 POWERS AND CORPORATE GOVERNANCE

Powers

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

Corporate Governance

The Corporate Governance system, still being implemented, is inspired by the recommendations provided by the relevant committee of listed companies that drafted the Corporate Governance Code as well as by the subsequent legal provisions on the governance of listed Companies.
The Company is directed by a ***Board of Directors*** currently consisting of 5 members, as resolved by the Shareholders' Meeting of 30 April 2018.
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 14 May 2018 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 2017 and will remain in office until the Shareholders' Meeting that will approve the financial statements as at 31 December 2019.

The ***Investor Relations*** department, headed by Piergiacomo Pollonio since 21/11/2018, was set up to facilitate the dialogue between the Company, shareholders and institutional investors.
The same is also specifically responsible for ensuring that the documents and information regarding the Company, in particular those that are price sensitive, are disclosed to the public in compliance with the instructions provided by CONSOB with regulation 11971 and by Borsa Italiana.

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

In the period from 1 January to 31 December 2018, the Board of Directors met 10 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 2020, as resolved by the Shareholders' Meeting of 30 April 2018.

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, verifies the execution and implementation of the model.

3 CORPORATE BODIES OF THE SUBSIDIARIES

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

4 LIST OF THE EQUITY INVESTMENTS IN THE SCOPE OF CONSOLIDATION

List of the equity investments held as at 31.12.2018	
Company Name	**Mondo TV Suisse S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2018	CHF 1,089,962
Profit (loss) for the year 2018	CHF 420,302
Ownership interest	56%
Company Name	**Mondo TV France S.A.**
Registered Office	Paris (France)
Share capital	Euro 1,100,000
Equity as at 31.12.2018	Euro 1,094,668
Profit (loss) for the year 2018	Euro (451,593)
Ownership interest	23%
Company Name	**Mondo TV Iberoamerica S.A.**
Registered Office	Madrid (Spain)
Share capital	Euro 500,000
Equity as at 31.12.2018	Euro (1,498,643)
Profit (loss) for the year 2018	Euro (3,476,254)
Ownership interest	71%
Company Name	**Mondo TV Producciones Canarias S.L.U.**
Registered Office	Tenerife (Spain)
Share capital	Euro 3,006
Equity as at 31.12.2018	Euro (2,443,162)
Profit (loss) for the year 2018	Euro (2,709,800)
Ownership interest	71% (indirect investment)
Company Name	**Mondo TV Toys S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2018	CHF (165,720)
Profit (loss) for the year 2018	CHF (4,536)
Ownership interest	100%

5 LIST OF RELATED PARTIES

Trilateral Land S.r.l.	Company managed or owned by a related party
Giuliana Bertozzi	MTV Shareholder
Matteo Corradi	MTV Shareholder, Director of MTV, MFR, MSUISSE, MIBEROAMERICA, MCANARIAS
Monica Corradi	MTV Shareholder and Director
Riccardo Corradi	MTV Shareholder
Aurelio Fedele	MTV Director
Angelica Mola	MTV Director
Carlo Marchetti	Director of MTV, MFR, MIBEROAMERICA,

FINANCIAL STATEMENTS AND NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

STATEMENT OF FINANCIAL POSITION AT 31.12.2018

Statement of financial position			
	Notes	**Annual 31/12/2018**	**Annual 31/12/2017**
Non-current assets			
- Intangible rights		27,537,140	37,657,613
- Other intangible assets		*25,728*	*7,701*
Intangible assets	5	27,562,868	37,665,314
Tangible assets	5	268,858	314,728
Equity investments	5	2,765,173	2,132,146
Deferred tax assets	6	14,268,344	2,631,366
Financial receivables	7	5,234,628	3,801,203
		50,099,871	**46,544,757**
Current assets			
Trade and other receivables	7	18,100,212	44,106,390
Financial receivables	7	145,013	1,828,671
Tax assets	6	2,817,413	3,783,977
Other assets	8	461,418	333,784
Cash and cash equivalents	9	11,994,290	1,276,069
		33,518,346	**51,328,891**
Total assets		**83,618,217**	**97,873,648**
- Share capital		18,207,106	15,307,776
- Share premium provision		45,867,585	27,766,915
- Legal reserve		3,061,555	2,642,483
- Other reserves		8,136,225	8,223,361
- Retained losses		22,894,425	10,447,861
- Profit (loss) for the year		(38,699,955)	12,865,636
Total equity	10	**59,466,941**	**77,254,032**
Non-current liabilities			
Provision for post-employment benefits	11	545,060	482,133
Provisions for risks and charges	11	2,993,868	761,930
Deferred tax liabilities	6	65,974	0
Financial payables	12	251,758	418,357
		3,856,660	**1,662,420**
Current liabilities			
Provisions for risks and charges	11	27,247	28,914
Trade and other payables	12	19,447,756	13,559,371
Financial payables	12	625,034	1,555,025
Tax liabilities	6	194,579	203,219
Other liabilities	13	0	3,610,667
		20,294,616	**18,957,196**
Total liabilities		**24,151,276**	**20,619,616**
Total liabilities + equity		**83,618,217**	**97,873,648**

SEPARATE INCOME STATEMENT

Income Statement			
values in Euro	**Notes**	**2018**	**2017**
Revenue from sales and services	17	15,708,023	28,437,170
Other income	17	559,050	504,194
Capitalisation of internally produced animated series	18	1,086,726	1,118,736
Raw materials, consumables and goods	19	(45,601)	(84,429)
Personnel costs	20	(1,490,454)	(1,761,941)
Amortisation and impairment of intangible assets	21	(35,982,460)	(4,865,774)
Depreciation and impairment of tangible assets	21	(110,667)	(108,660)
Allowance for doubtful debts	21	(23,114,504)	(1,169,485)
Other operating costs	22	(4,859,664)	(4,485,818)
EBIT		**(48,249,551)**	**17,583,993**
Finance income	23	1,488,313	634,350
Financial expenses	23	(3,331,663)	(2,495,331)
Profit (loss) of the period before tax		**(50,092,901)**	**15,723,012**
Income tax expense	24	11,392,946	(2,857,376)
Profit (loss) for the year		**(38,699,955)**	**12,865,636**
Earnings (loss) per share (basic and diluted)		**(1.30)**	**0.43**

STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income			
Values in Euro	**notes**	**31.12.2018**	**31.12.2017**
Profit (loss) for the year (A)		**(38,699,955)**	**12,865,636**
Other items of the comprehensive income statement:			
TFR actuarial profits (losses)		(2,947)	(16,654)
Sale of shares in investees		576,261	
Profits recognised directly in equity (B)		573,314	(16,654)
Total comprehensive income (loss) (A)+(B)		**(38,126,641)**	**12,848,982**

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity							
(Values in Euro)	**Share capital**	**Legal reserve**	**Retained earnings (losses)**	**Share premium provision**	**Other reserves**	**Profit (loss) for the year**	**Equity**
Financial Statements at 31.12.2016	**14,361,232**	**2,642,483**	**2,008,606**	**21,213,461**	**5,805,894**	**8,643,857**	**54,675,532**
Transactions with shareholders recognised in equity:							
Atlas capital increase	946,544	-	-	6,553,454	(599,996)	-	6,900,002
Items of comprehensive income for the year:							
Allocation profit FY 2016	-	-	8,439,255	-	204,602	(8,643,857)	0
Disposal of shares of subsidiaries					2,829,516		2,829,516
Other changes					(16,654)		(16,654)
Result for the period	-	-	-	-	-	12,865,636	12,865,636
Financial Statements at 31.12.2017	**15,307,776**	**2,642,483**	**10,447,861**	**27,766,915**	**8,223,362**	**12,865,636**	**77,254,032**
Transactions with shareholders recognised in equity:							
Atlas capital increase	2,899,330			18,100,670	(660,450)		20,339,550
Items of comprehensive income for the year:							
Allocation profit FY 2017		419,072	12,446,564			(12,865,636)	0
Disposal of shares of subsidiaries					576,261		576,261
Other changes					(2,947)		(2,947)
Result for the period						(38,699,955)	(38,699,955)
Financial Statements at 31.12.2018	**18,207,106**	**3,061,555**	**22,894,425**	**45,867,585**	**8,136,226**	**(38,699,955)**	**59,466,941**

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

CASH FLOW STATEMENT

Cash flow statement		
(Euro thousands)	**2018**	**2017**
A. OPENING CASH AND CASH EQUIVALENTS	1,276,069	1,379,778
Profit (loss) for the year	(38,699,955)	12,865,636
Depreciation, amortisation and impairment	59,207,631	6,143,919
Net change in provisions	2,293,198	66,254
Economic effect of deferred tax assets and liabilities	(11,571,004)	0
Cash flow from (used in) operating activities before changes in working capital	11,229,870	19,075,809
(Increase) / decrease in trade and other receivables	2,891,674	(16,019,806)
(Increase) decrease in tax assets	966,564	3,081,770
(Increase) / decrease in other assets	(127,634)	(61,171)
Increase / (decrease) in trade payables	5,888,385	2,714,049
Increase / (decrease) in tax liabilities	(8,640)	(222,607)
Increase / (decrease) in other liabilities	(3,610,667)	128,433
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	17,229,552	8,696,477
(Acquisition) / disposal of:		
- Intangible assets	(25,880,014)	(15,056,862)
- Tangible assets	(64,797)	(182,598)
- Financial assets	(633,027)	(713,281)
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(26,577,838)	(15,952,741)
Changes in capital	20,912,864	9,712,864
(Increase) / decrease in financial receivables and securities	250,233	(2,708,960)
Increase / (decrease) in financial payables	(1,096,590)	296,991
Interest paid	0	(148,340)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	20,066,507	7,152,555
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	10,718,221	(103,709)
F. CLOSING CASH AND CASH EQUIVALENTS	11,994,290	1,276,069

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

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

Statement of financial position

Values in Euro	**31/12/2018**	**Related parties**	**31/12/2017**	**Related parties**
Non-current assets				
- Intangible rights	27,537,140		*37,657,613*	
- Other intangible assets	25,728		*7,701*	
Intangible assets	27,562,868	0	37,665,314	0
Tangible assets	268,858		314,728	
Equity investments	2,765,173	2,765,173	2,132,146	2,132,146
Deferred tax assets	14,268,344		2,631,366	
Receivables	5,234,628	5,234,628	3,801,203	3,639,268
	50,099,871	**7,999,801**	**46,544,757**	**5,771,414**
Current assets				
Closing inventories				
Trade receivables	18,100,212	579,594	44,955,401	2,404,799
Financial receivables	145,013	145,013	1,828,671	1,828,671
Tax assets	2,817,413		2,934,966	
Other assets	461,418	0	333,784	0
Cash and cash equivalents	11,994,290		1,276,069	
	33,518,346	**724,607**	**51,328,891**	**4,233,470**
Total assets	**83,618,217**	**8,724,408**	**97,873,648**	**10,004,884**
- Share capital	18,207,106		*15,307,776*	
- Share premium provision	45,867,585		*27,766,915*	
- Legal reserve	3,061,555		*2,642,483*	
- Other reserves	8,136,225		*8,223,361*	
- Retained earnings (losses)	22,894,425		*10,447,861*	
- Profit (loss) for the year	(38,699,955)		*12,865,636*	
Total equity	**59,466,941**	**0**	**77,254,032**	**0**
Non-current liabilities				
Post-employment benefits	545,060		482,133	
Provisions for risks and charges	2,993,868		761,930	
Deferred tax liabilities	65,974		0	
Financial payables	251,758	0	418,357	0
	3,856,660	**0**	**1,662,420**	**0**
Current liabilities				
Provisions for risks and charges	27,247	0	28,914	0
Trade payables	19,447,756	2,242,564	13,762,590	2,860,898
Financial payables	625,034	0	1,555,025	0
Tax liabilities	194,579		0	
Other liabilities	0		3,610,667	

	20,294,616	2,242,564	18,957,196	2,860,898
Total liabilities	**24,151,276**	**2,242,564**	**20,619,616**	**2,860,898**
Total liabilities and equity	**83,618,217**	**2,242,564**	**97,873,648**	**2,860,898**

Income statement				
Values in Euro	**2018**	**Related parties**	**2017**	**Related parties**
Revenue from sales and services	15,708,023	0	28,437,170	396,667
Other income	559,050		504,194	
Capitalisation of internally produced animated series	1,086,726		1,118,736	
Raw materials, consumables and goods	(45,601)		(84,429)	
Personnel costs	(1,490,454)	(96,279)	(1,761,941)	(96,279)
Amortisation and impairment of intangible assets	(35,982,460)		(4,865,774)	
Depreciation and impairment of tangible assets	(110,667)		(108,660)	
Allowance for doubtful debts	(23,114,504)	(1,266,772)	(1,169,485)	
Other operating costs	(4,859,664)	(950,855)	(4,485,818)	(1,060,258)
EBIT	**(48,249,551)**		**17,583,993**	
Finance income	1,488,313	107,163	634,350	97,151
Financial expenses	(3,331,663)		(2,495,331)	
Profit (loss) before tax	**(50,092,901)**		**15,723,012**	
Income tax expense	11,392,946		(2,857,376)	
Profit (loss) for the year	**(38,699,955)**		**12,865,636**	

Cash flow statement providing related party disclosures				
Values in Euro	**2018**	**Related parties**	**2017**	**Related parties**
A. OPENING CASH AND CASH EQUIVALENTS	1,276,069		1,379,778	
Profit (loss) for the year	(38,699,955)		12,865,636	
Depreciation, amortisation and impairment	59,207,631	-	6,143,919	-
Net change in provisions	2,293,198	-	66,254	-
Change in deferred taxes	(11,571,004)	-	0	-
Cash flow from (used in) operating activities before changes in working capital	11,229,870	0	19,075,809	0
(Increase) / decrease in trade and other receivables	2,891,674	1,825,205	(16,019,806)	1,375,817
(Increase) decrease in tax assets	966,564		3,081,770	
(Increase) / decrease in other assets	(127,634)	0	(61,171)	0
Increase / (decrease) in trade payables	5,888,385	(618,334)	2,714,049	1,699,487
Increase / (decrease) in tax liabilities	(8,640)		(222,607)	
Increase / (decrease) in other liabilities	(3,610,667)		128,433	
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	17,229,552	1,206,871	8,696,477	3,075,304
(Acquisition) / disposal of:				
- Intangible assets	(25,880,014)	-	(15,056,862)	-
- Tangible assets	(64,797)		(182,598)	
- Financial assets	(633,027)	(633,027)	(713,281)	(713,281)
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(26,577,838)	(633,027)	(15,952,741)	(713,281)
Changes in capital	20,912,864		9,712,864	
Dividends paid	0		0	
(Increase) / decrease in financial receivables and securities	250,233	88,298	(2,708,960)	(2,708,960)
Increase / (decrease) in financial payables	(1,096,590)	-	296,991	-
Interest paid	0	-	(148,340)	-

D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	20,066,507	88,298	7,152,555	(2,708,960)
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	10,718,221	662,142	(103,709)	(346,937)
F. CLOSING CASH AND CASH EQUIVALENTS	11,994,290		1,276,069	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31.12.2018

1 FORM AND CONTENT

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

The financial statements as at 31 December 2018 were approved by the Board of Directors' meeting of 29 March 2019, which authorised their publication on that same date and convened the Shareholders' Meeting for relevant approval on 30 April 2019 (single call).

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

The annual financial statements (the Financial Statements) of Mondo TV S.p.A. (hereinafter also the Company or the Parent Company) have been prepared on a going concern basis. It should be noted that the going concern assumption, on the basis of which these annual financial statements were prepared, is a fundamental principle in the preparation of the financial statements. On the basis of this assumption, technically the company is normally considered capable of continuing to carry on its business in the foreseeable future (at least 12 months from the reporting date) without there being any intention or need to put it into liquidation, cease business or subject it to bankruptcy proceedings as required by law or regulations. Assets and liabilities are therefore accounted for on the basis of the assumption that the company is able to realise its assets and meet its liabilities in the normal course of business. Taking into account the complex general economic situation and the particular situation of Mondo TV S.p.A., the main elements that highlight risk situations and the relative countermeasures adopted by the Company have been taken into consideration. Ample disclosure has been provided in the Report on Operations to which reference is made. Based on the risks and uncertainties that exist and the initiatives taken, the Directors believe that the going concern assumption, on the basis of which these annual financial statements were prepared, has been met.

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

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

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

2 ACCOUNTING STANDARDS AND MEASUREMENT BASES

The Company's financial statements as at 31 December 2018 consist of the statement of financial position, the separate income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and relevant notes, and are drafted pursuant to IFRS.

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

any future interpretations and revisions will be taken into account in the next years, in accordance with the provisions included from time to time in the relevant accounting standards.

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

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

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

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

The statements of financial position, the separate income statement and statement of comprehensive income, the statement of cash flows, and changes in equity present a comparison with the figures for the previous year ended 31 December 2017 of Mondo TV S.p.A; the comparative figures in relation to the items Trade receivables, tax receivables, trade payables and tax payables have been subject to certain reclassifications in order to give a clearer and more comprehensive representation, without impacting equity at 31 December 2017.

The accounting standards and policies applied to these financial statements, consistent with those used in preparing the financial statements as at 31 December 2017, are the same ones adopted to prepare the consolidated financial statements, to which reference is made. As from 1 January 2018, certain amendments were applied to international accounting standards. The main amendments are shown in the next paragraph "Recently issued accounting standards" of the notes to the Group consolidated financial statements.

3 FORMAT OF FINANCIAL STATEMENTS

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

Statement of Financial Position
The Statement of Financial Position as at 31 December 2018 is presented in opposite sections, keeping separate Assets, Liabilities and Equity. In addition, the asset and liability items are classified as current and non-current.

Income Statement
Items in the Income statement for the year ended 31 December 2018 are classified by nature.

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

Cash Flow Statement
The Cash Flow Statement was prepared using the indirect method.

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

4 OPERATING SEGMENTS

The Company produces or purchases from the market media content – animation, in particular – and subsequently distributes them through the granting of licenses. No segment other than the animation segment can be considered as a reportable segment at this time, nor does management use additional reporting with the characteristics applied to "segments" as provided for by IFRS 8.
The table below provides, comparative for 2018 and 2017, the breakdown of revenues by geographical area. The allocation of revenue to a specific geographical area solely on the basis of the purchaser's nationality. Thus, the geographical distribution of rights sold was not taken into account.

Breakdown of revenues by geographical areas Mondo TV

(Euro thousands)	2018		2017		Change	
Geographical areas	**Values**	**%**	**Values**	**%**	**Values**	**%**
Italy	1,207	7%	1,229	4%	(22)	(2%)
Europe	476	3%	1,542	5%	(1,066)	(69%)
Asia	14,525	89%	26,139	90%	(11,614)	(44%)
Americas	8	0%	27	0%	(19)	(70%)
Africa	51	0%	4	0%	47	1175%
Total revenue	**16,267**	**100%**	**28,941**	**100%**	**(12,674)**	**(44%)**

All non-current assets are located in Italy.

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

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

(Euro thousands)	Intangible rights	Other intangible assets	TOTAL
Cost as at 31.12.2016	103,285	996	104,281
Impairment at 31.12.2016	(16,591)	0	(16,591)
Amortisation at 31.12.2016	(59,221)	(995)	(60,216)
Net value as at 31.12.2016	**27,473**	**1**	**27,474**
FY 2017			
Acquisition for the year	15,050	7	15,057
Amortisation for the year	(4,866)	0	(4,866)
Cost as at 31.12.2017	118,335	1,003	119,338
Impairment at 31.12.2017	(16,591)	0	(16,591)
Amortisation at 31.12.2017	(64,087)	(995)	(65,082)
Net value as at 31.12.2017	**37,657**	**8**	**37,665**
FY 2018			
Acquisition for the year	25,862	18	25,880
Impairment for the year	(28,296)		(28,296)
Amortisation for the year	(7,686)		(7,686)
Cost as at 31.12.2018	144,197	1,021	145,218
Impairment at 31.12.2018	(44,887)	0	(44,887)
Amortisation at 31.12.2018	(71,773)	(995)	(72,768)
Net value as at 31.12.2018	**27,537**	**26**	**27,563**

The item "Intangible rights" includes investments for the production and purchase of exploitation rights of films and animated series that constitute the Libraries of the Companies. There is always a high selection of purchases, in which the purchase of products with potential licensing, capable of attracting investments also from producers of toys and companies operating in the licensing sector, is increasingly privileged.

Acquisition for the year
The most significant investments relate to the production of the animated series *Yoohoo*, *Bat Pat*, *Meteo Heroes*, *Sissi*, *The Rowly Powlys*, *Invention Story*, *Beastkeepers*, *Naraka* and *Robot Trains*.

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

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

The third quarter saw a significant slowdown in sales in relation to certain Mondo TV productions in Asia.

In particular, the main customer of the *"Rowly Powlys"* and *"Dee and Duh"* series (Hong Kong Nine Technology), a few weeks after the passing away on 07 November 2018 of Orlando Corradi, founder of the company and creator and artistic and creative director of these products, made the decision to abandon the aforementioned projects.

In addition, the deterioration of the international economic situation and the slowdown of the Chinese economy, due in part to the war on tariffs between China and the USA, seem to have led to a significant restriction of bank credit in China, with a decrease in investments in media products in general and products of Western origin in particular.
As a result of these unexpected difficulties, the slowdown in revenues already highlighted in the third quarter as reported in the interim report for the nine months ended 30 September 2018 was not overcome.

In the second half of November, three major Asian customers (Broadvision Rights Ltd., Hong Kong Yiqi Culture Film & Television Media Co. Ltd. and New Information Tech.) formally communicated their intention to significantly review their investments in the *"Naraka", "Final Fight", "Play Time Buddies", "Beast Keepers", "Partidei"* and *"Adventures in Duckport"* projects, also as a result of the difficulties that have emerged in their reference markets in relation to the exploitation of these products. In particular, the difficulties of the above Asian customers, who had acquired rights to the aforementioned series, were justified by the significantly lower interest shown by Asian television stations in these products compared with previous expectations: the resulting prospects for a return on investment were therefore very limited on Asian markets, and were not even offset by revenues from exploitation in other parts of the world.
As a result of the communications from these Asian customers, the company has taken the decision to suspend further investments in these projects, as they now lack adequate economic coverage in terms of expected future revenues, and to start negotiations for the management of the various positions with the relative Asian partners.

On 31 December 2018, the Directors of the Company therefore subjected intangible rights to impairment tests pursuant to IAS 36 in order to account for any impairment losses, also taking into account the significant events of the year outlined above. The test was conducted by comparing the carrying amount of the assets tested with the recoverable value, estimated in terms of value in use. In particular, the value in use was determined using the method of discounted cash flows, in the unlevered version. The cash flows used are those that are expected to be generated by the assets subject to analysis based on past experiences and expectations of developments in the markets in which the Company operates.
Consistently with the previous years, based on the specific experience of the Company and the well-established practice in the sector, the cash flow has been calculated over a ten-year period (2019-2028) despite the fact that the company has full ownership of most of the library consisting of series with unlimited life.

The cash flows were discounted using a discounting rate (WACC) determined by applying the Capital Asset Pricing Model of 11.60%, as follows:

WACC	
Free risk rate	3.00%
Share beta	1.00
Mkt risk premium	8.60%
Cost of Equity	**11.60%**
% MP	100.0%
Cost of Debt (gross)	3.95%
Tax rate	24.00%
Cost of Debt (net)	**3.00%**
WACC	**11.60%**

The considerations mentioned above and the Company's particular type of business, intrinsically characterised by the potential to benefit from a long-term exploitation of the licenses acquired, allow us to conclude that the ten-year period used to test the Library's carrying amount for impairment appears reasonable.
Moreover, the expected future revenues, the forecasts of which have been based on the potential of the individual titles and on the commercial evidence available, have been assumed to be decreasing overall in the years of the plan subsequent to the fifth year of exploitation.

The impairment test was supplemented by carrying out sensitivity analyses on the risk factors identified and on certain parameters used to perform the impairment test (changes in expected revenues and increase in interest rates (WACC) over the time period considered). These analyses did not reveal any additional impairment risk factors to be taken into account in the preparation of the financial statements.

The impairment test carried out showed total impairment losses of Euro 28,296 thousand, of which euro 24,475 thousand related to the animated series under termination by Asian customers, as summarised below:

(Migliaia di Euro)

Descrizione	NBV 31.12.2017	Investimenti 2018	Ammortamento 2018	Svalutazione per impairment	NBV 31.12.2018
Rowly Powlys	2.635	1.455	(647)	(3.443)	0
Dee and Duh	217	1.400	(236)	(1.381)	0
Naraka	1.633	9	(286)	(1.356)	0
Final Fight	1.689	531	(370)	(1.178)	671
Play Time Buddies	145	609	(110)	(32)	612
Beast Keepers	4.681	1.581	0	(5.560)	701
Partidei	4.459	1.566	0	(5.292)	733
Adventures in Duckport	5.769	1.669	0	(6.233)	1.204
Totale	**21.227**	**8.818**	**(1.649)**	**(24.475)**	**3.922**

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

Changes in tangible assets

(Euro thousands)	Plant and machinery	Industrial and commercial equipment	Other assets	TOTAL
Cost as at 31.12.2016	2,391	692	659	3,742
Amortisation at 31.12.2016	(2,279)	(646)	(576)	(3,501)

Net value as at 31.12.2016	**112**	**46**	**83**	**241**
FY 2017				
Acquisition for the year	9	143	31	183
Amortisation for the year	(35)	(45)	(29)	(109)
Cost as at 31.12.2017	2,400	835	690	3,925
Amortisation at 31.12.2017	(2,314)	(691)	(605)	(3,610)
Net value as at 31.12.2017	**86**	**144**	**85**	**315**
FY 2018				
Acquisition for the year	16		49	65
Amortisation for the year	(36)	(44)	(31)	(111)
Cost as at 31.12.2018	2,416	835	739	3,990
Amortisation at 31.12.2018	(2,350)	(735)	(636)	(3,721)
Net value as at 31.12.2018	**66**	**100**	**103**	**269**

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

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

Change in equity investments			
(Euro thousands)	**31/12/2017**	**increases/decreases**	**31/12/2018**
equity investments in subsidiaries			
Mondo TV France S.A.	477	76	553
Mondo TV Suisse S.A.	303	128	431
Mondo TV Iberoamerica S.A.	1352	429	1,781
Total Subsidiaries	**2,132**	**633**	**2,765**
Investments in other companies	0	0	0
Total equity investments	**2,132**	**633**	**2,765**

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

Comparison between carrying amount of subsidiaries and relevant equity stake					
	31/12/2018 Carrying Value (A)	Equity	%	Relevant equity (B)	Difference (B) – (A)
Equity investments in subsidiaries					
Mondo TV France S.A.	553	1,095	23	252	(301)
Mondo TV Suisse S.A.	431	1,090	56	610	179
Mondo TV Iberoamerica S.A.	1,781	(1,499)	71	(1,064)	(2,845)
Mondo TV Toys S.A.	0	(149)	100	(149)	(149)
Total Subsidiaries	**2,765**	**537**		**(351)**	**-3,116**

In view of the difference between the carrying value of the investment in Mondo TV Iberoamerica and the attributable equity, a specific provision for risks on investments was recorded in previous years for an amount of Euro 662 thousand, integrated this year with a further provision of Euro 2,183 thousand.
With reference to the investment in Mondo TV Toys, also considering the liquidation, an amount of Euro 149 thousand was set aside as a provision for equity investment impairment.

For the investments in Mondo TV France S.A., Mondo TV Suisse S.A. and Mondo TV Iberoamerica S.A., the following is the summary of the market capitalisation respectively as at 31 December 2018 and the formation of the draft financial statements (maintaining the percentages of investment and the total number of shares as at 31 December 2018).

Euro thousands

Company Name	% Investment	Share value 28/12/2018	Number of shares	Market capitalisation	MTV market share
Mondo TV France	23%	0.0294	115,583,504	3,398	782
Mondo TV Iberoamerica	71%	0.234	10,000,000	2,340	1,661
Mondo TV Suisse	56%	0.54	10,000,000	5,400	3,024

Euro thousands

Company Name	% Investment	Share value 29/03/2019	Number of shares	Market capitalisation	MTV market share
Mondo TV France	23%	0.0288	115,583,504	3,329	766
Mondo TV Iberoamerica	71%	0.19	10,000,000	1,900	1,349
Mondo TV Suisse	56%	0.91	10,000,000	9,100	5,096

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

6 TAX ASSETS AND LIABILITIES

Deferred tax assets are recognised in financial statements to the extent they are likely to be recovered; in particular the recognition of deferred tax assets reflects the assessments made by the Board of Directors with regards to taxable income generated by Company's operations in the near future so as to allow the recovery. To this end, when preparing the financial statements for the year ended 31 December 2018, the Business Plan as approved by the Board of Directors on 10 December 2018 was updated and supplemented with the new information available. No items have emerged from the new information available to require an amendment to the Business Plan approved in December 2018.

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

Changes in deferred tax assets and liabilities

(Euro thousands)	31/12/2017	Increases	Decreases	31/12/2018
Assets	2,631	12,564	(927)	14,268
Liabilities	0	66	0	66
Net deferred tax assets	**2,631**	**12,498**	**(927)**	**14,202**

During 2018, deferred tax assets increased by Euro 12,564 thousand mainly due to the temporary differences between statutory values and values for tax purposes generated mainly by the impairment of receivables and the impairment test on the library, while uses amounted to Euro 927 thousand, mainly for use of prior year losses.

The breakdown of deferred tax assets as at 31 December 2018, and changes from the previous year are shown below:

Deferred tax liabilities were recorded for Euro 66 thousand.

(Migliaia di Euro)

Natura	31.12.2017			31.12.2018			Variazione
	Importo	%	Ires	Importo	%	Ires	2017/2018
Perdite fiscali	4.881	24%	1.172	2.104	24%	505	(667)
Fondo rischi su crediti tassato	4.597	24%	1.103	22.894	24%	5.495	4.391
Svalutazione library	-	24%	-	28.296	24%	6.791	6.791
Altre differenze temporanee	1.485	24%	356	476	24%	114	(242)
Totale Ires	**10.964**		**2.631**	**53.769**		**12.905**	**10.273**
Svalutazione library	-	4,82%	-	28.296	4,82%	1.364	1.364
Totale Irap	**-**		**-**	**28.296**		**1.364**	**1.364**
Totale	**10.964**		**2.631**	**82.065**		**14.268**	**11.637**

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

The recoverability of deferred tax assets recognised in the financial statements in the next years is strictly related to the actual achievement of the objectives set in the 2019-2023 Business Plan, approved by the Company's Board of Directors on 10 December 2018 and confirmed during approval of the draft financial statements, which is characterised by the uncertainties typical of a forecast Business Plan.

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

Breakdown of current tax assets			
(Euro thousands)	**31/12/2018**	**31/12/2017**	**Change**
IRES (Regional Business Tax)	264	604	(340)
IRAP (Regional Business Tax)	87	631	(544)
VAT receivables	751	571	180
Other tax receivables	1,715	1,978	(263)
Total tax assets	**2,817**	**3,784**	**(967)**

The item Ires and Irap consists of the tax advances paid for the year 2018 and the IRES receivable deriving from the 2018 tax statement (Modello Unico 2018).

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

7 TRADE AND FINANCIAL RECEIVABLES

Non-current financial receivables equal to Euro 5,234 thousand at 31 December 2018 compared to Euro 3,801 thousand in the previous year are mainly due to the loans granted to the subsidiary Mondo TV Iberoamerica for the production of the Heidi series. For further information, reference is made to the Report on Operations.

Current trade receivables and other receivables are broken down in the table below:

Breakdown of trade and other receivables			
(Euro thousands)	**31/12/2018**	**31/12/2017**	**Change**
Due from customers	40,937	39,899	1,038
Due from customers for invoices to be issued	3,727	2,988	739
Due from subsidiaries	1,814	2,237	(423)
Co-production	0	2,766	(2,766)
Other receivables	477	375	102

Allowance for doubtful debts	(28,855)	(4,159)	(24,696)
TOTAL	**18,100**	**44,106**	**(26,006)**

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

Breakdown of the allowance for doubtful debts	31.12.2018	31.12.2017
Allowance for doubtful debts as at 1 January	4,159	3,277
Allowance for the period	23,115	1,169
Used in the year	0	(287)
Other changes	1,581	0
Allowance for doubtful debts at 31 December	**28,855**	**4,159**

Allocations for the year, amounting to Euro 23,115 thousand, were recognised based on a thorough analysis of all outstanding receivables and represent the best estimate, which takes into account the information available as at the date of the preparation of these financial statements and the risk of customers not fulfilling their obligations for invoices issued and to be issued.

In particular, with reference to the credit positions with the four Asian customers who in November 2018 communicated their intention to discontinue their investments in the animated series referred to in the commercial agreements previously signed (as outlined in Note 4 Intangible assets and property, plant and equipment in these notes), the assessments for the purpose of recoverability of trade receivables outstanding at the date of preparation of the financial statements also took into account the following.

In March, Mondo TV S.p.A. reached settlement agreements with three of the four Asian customers who had sent termination in relation to certain existing sales contracts (see the section Relations with the parent company's main customers and effects on the financial statements in this Report).

Specifically, an agreement was entered into with the customer Broadvision Rights Ltd. on 14 March 2019 outlining the following: 1) Broadvision Rights Ltd. complains about delays in deliveries by Mondo TV S.p.A. and disputes the quality of the productions carried out, while Mondo TV S.p.A. fully rejects the objections of Broadvision Rights Ltd.; 2) the definitive cancellation of the third series provided for in the contract and not yet started is established, while as regards the two existing productions, the following is established:

- Mondo TV S.p.A. is entitled to retain the amount already received for the animated series *Play time Buddies* and will regain full ownership of the distribution rights, while further payments by Broadvision Rights Ltd. for the series will cease;
- the animated series *Sissi third season* was halved, passing to 26 episodes, in a format that is in any case very commercial with an investment by Broadvision Rights Ltd. that fell to USD 2,400 thousand (originally USD 4,800 thousand);
- the minimum guaranteed amount of USD 500 thousand that Mondo TV S.p.A. should have paid to Broadvision Rights Ltd. was cancelled.

With regard to relations with Hong Kong Yiqi Culture, the companies have reached a settlement agreement whereby Mondo TV S.p.A. will retain the amount already collected, equal to approximately USD 11,900 thousand for the old library and USD 3,900 thousand for the part relating to the new productions, for a total of USD 15,800 thousand, waiving any further claims, however immediately returning to possession of the rights to exploit both the old library and the new series (*Duckport*, *Partidei* and *Beastkeepers*).
Accordingly, the parties mutually waive their right to take legal action with respect to the contracts governed by the settlement agreement, and the contracts relating to the animated series *Bat Pat* and *Meteo Heroes* shall continue as normal.

With regard to relations with Hong Kong Nine Technology, the companies have reached a settlement agreement that provides for the replacement of the two animated series *Rowly Powly* and *Dee and Doo* with two new animated series currently being negotiated by Mondo TV S.p.A. with third-party co-producers and approved by Hong Kong Nine Technology.

Finally, with regard to relations with New Information Tech, following contract termination, Mondo TV S.p.A. sent a communication to the customer in which it contested the validity of the termination, complaining about delays in payments and reiterating that the contract, which does not provide for a performance guarantee by Mondo TV S.p.A., must be considered to be still in place and therefore invites New Information Tech to fulfil its obligations. Otherwise, Mondo TV will take the necessary action to recover the credit.
In a subsequent reply, New Information Tech. reiterated the validity of the termination, contesting the delays in the production of the two projects that made the commercial exploitation of the two series impossible, reiterating that in the event of a dispute, they would request the restitution of the sums already paid and the relative damages. At present, Mondo TV S.p.A.'s lawyers have been appointed to agree on the action to be taken.

The provision for the year, amounting to a total of Euro 23,916 thousand, is attributable for Euro 15,985 thousand to the positions with Asian customers indicated above, as summarised below.

(Migliaia di Euro)

Cliente	Valore nominale 31/12/2018		Anticipi da clienti	Accantonamento	NBV 31/12/2018
	Fatture emesse	Fatture da emettere			
Broadvision Rights Ltd.	5.467	0	(958)	(4.508)	0
Hong Kong Yiqi Culture	7.554	0	0	(2.908)	4.645
Hong Kong Nine Technology	8.249	0	0	(3.979)	4.271
New Information Tech.	2.541	2.049	0	(4.590)	0
Totale	**23.810**	**2.049**	**(958)**	**(15.985)**	**8.916**

8 OTHER ASSETS

The item under review, equal to Euro 461 thousand (Euro 334 thousand as at 31 December 2017), mainly includes costs pertaining to future years.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, equal to Euro 11,994 thousand at 31 December 2018, mainly consist of deposits held with banks.
Approximately Euro 406 thousand are denominated in US dollars, and translated into Euro at the year-end exchange rate.

The statement of the Company's net financial position is shown in the Report on Operations.

10 EQUITY

The share capital at 31 December 2018 was equal to Euro 18,207,106 and consisted of 36,414,212 ordinary shares with a nominal value of Euro 0.50.

The number of outstanding shares increased by 5,798,689 shares in the year due to the extraordinary finance transaction with Atlas Alpha Yield Fund and Atlas Capital Markets.

On 5 January 2018, the Parent Company Mondo TV sent Atlas Alpha Yield Fund and Atlas Capital Markets a new request for issue under the investment agreement stipulated by the Company with which Atlas has undertaken to subscribe, directly or through a party possibly designated under the Contract, in several tranches and only following specific subscription requests made by the Company, 60 bonds convertible into shares for a value of Euro 250,000 each.
The subject of the Request was the fourth and last tranche of 12 bonds for a total counter-value of Euro 3,000,000.

As at the date of this report, the fourth and final tranche of the agreement with Atlas Alpha Yield Fund and Atlas Capital Markets has been fully converted to equity.

On 18 April 2018, the Mondo TV Board of Directors approved the execution of an investment agreement with Atlas Special Opportunities to issue a new line of convertible bonds for up to Euro 18 million in only 2 tranches of Euro 11 million and Euro 7 million to be called by 2019.
Mondo TV also issued a global warrant in favour of Atlas, exercisable within five years from the issue date, for the subscription of 450,000 Mondo TV shares at the price of Euro 7.50 per share for a maximum total value of Euro 3,375,000.
During 2018, both tranches of the agreement with Atlas Special Opportunities with a total value of Euro 18 million were called and fully converted into equity.

As part of the extraordinary finance transactions carried out in the year and in previous years, the Parent Company assigned warrants free of charge to its counterparties, giving them the right to subscribe to shares in Mondo TV S.p.A. The following is a summary of the warrants outstanding as at 31 December 2018:

Summary of warrants outstanding				
Transaction	**Shares (number)**	**Exercise price (Euro)**	**Maturity**	**Maximum counter-value (Euro)**
GEM	500,000	6.5	31/08/2019	3,250,000
GEM	1,500,000	8.0	31/08/2019	12,000,000
GEM	500,000	10.0	31/08/2019	5,000,000
Total GEM (a)	**2,500,000**			**20,250,000**
Atlas	215,000	6.5	01/04/2021	1,397,500
Atlas	640,000	8.0	01/04/2021	5,120,000
Atlas	215,000	10.0	01/04/2021	2,150,000
Total Atlas (b)	**1,070,000**			**8,667,500**
Atlas	450,000	7.5	19/04/2023	3,375,000
Total Atlas (c)	**450,000**			**3,375,000**
Total warrants outstanding	**4,020,000**			**32,292,500**

In particular:

a) The Extraordinary Shareholders' Meeting of the Parent Company held on 30 March 2016 approved the signing of an agreement with GEM Global Yield Fund Limited and GEM Investments America LLC whereby GEM undertook to subscribe, at the request of the Company itself in several tranches and with a timing of the issues governed by the Company, to the Capital Increase with the exclusion of the option right reserved to GEM in the form of a Share Subscription Facility, up to a maximum amount of Euro 35 million, over a period of three years from the effective date, exclusively on the basis of subscription requests made by the Company in accordance with the terms and conditions contained in the GEM Agreement. The GEM Agreement also provides for the free assignment to GEM of a warrant giving it the right to subscribe:
   - 500,000 Mondo TV shares at a price of Euro 6.50 per share;
   - 1,500,000 Mondo TV shares at a price of Euro 8 per share;
   - 500,000 Mondo TV shares at a price of Euro 10 per share;

   subject to adjustments, for a countervalue of Euro 20.250 million, including share premium, to be exercised within 3 years from the date of the relative issue.

b) The Extraordinary Shareholders' Meeting of 6 September 2016 of the Parent Company approved the issue of a bond convertible into newly issued ordinary shares of the Company pursuant to article 2420-bis, paragraph 1, of the Italian Civil Code with the exclusion of option rights pursuant to article 2441, paragraphs 5 and 6, of the Italian Civil Code, reserved for Atlas Alpha Yield Fund, and/or for a third

party, for a maximum amount of Euro 15 million, including share premium, to be paid, even in more than one tranche, through the issue of new ordinary Mondo TV shares with a nominal value of Euro 0.50 each, with the same rights and characteristics as the ordinary Mondo TV shares outstanding at the issue date, establishing that the number of shares to be issued will be determined on a case-by-case basis according to the mechanism set out in the Bond Regulations.
The undersigned agreement also provides for the issue of 3 warrants to be assigned free of charge to Atlas Alpha Yield Fund together with the first tranche of the convertible bonds - and/or to a third party other than Atlas, as may be designated under the existing agreements or as the assignee of the same - which will give the bearer the right to subscribe to a further maximum of 1,070,000 ordinary Mondo TV shares, with a nominal value of Euro 0.50 each, newly issued as follows:

- 215,000 Mondo TV S.p.A. shares at a price of Euro 6.50 per share, including premium;
- 640,000 Mondo TV S.p.A. shares at a price of Euro 8.00 per share, including premium;
- 215,000 Mondo TV S.p.A. shares at a price of Euro 10.00 per share, including premium,

exercisable during the period from 1 April 2018 to 1 April 2021, under the terms and conditions set out in the relevant regulation.

c) The Extraordinary Shareholders' Meeting of 21 May 2018 of the Parent Company approved the issuance of a bond convertible cum warrant into newly issued ordinary shares of the Company pursuant to article 2420-bis, paragraph 1, of the Italian Civil Code with the exclusion of option rights pursuant to article 2441, paragraphs 5 and 6, of the Italian Civil Code, reserved for a single qualified investor, Atlas Special Opportunities LLC and/or third parties that may be designated, for a maximum nominal amount of Euro 18,000,000, represented by a maximum total of 72 convertible bonds with a nominal value of Euro 250,000 each.
At the same time as the issue of the first tranche of Bonds, the contract signed also provides for the free issue to Atlas of 450,000 Warrants that will confer the right to subscribe, in the period of 5 years from their issue, an ordinary share of the Company, therefore up to a maximum number of 450,000 ordinary shares of Mondo TV S.p.A. at the price of Euro 7.50 which, subject to adjustments, will have a maximum counter-value of Euro 3,375,000 (including the share premium).

No shares other than ordinary shares exist, nor rights, privileges or restrictions for any category of shares. The Company owns no treasury shares and the Mondo TV Group's subsidiaries do not own any shares of the Parent.

Equity reserves are broken down as follows:

Equity reserves		
(Euro thousands)	**31/12/2018**	**31/12/2017**
Share premium provision	45,868	27,767
Legal reserve	3,061	2,642
Other reserves	8,136	8,223
Retained earnings (accumulated losses)	22,894	10,448
Profit (Loss) for the year	(38,061)	12,866
TOTAL	**41,898**	**61,946**

The increase in the share premium provision is attributable to the extraordinary finance transaction entered into with Atlas, while the increase in the item Other reserves is attributable to the sale in the year of minority portions mainly of Mondo TV Suisse S.A. and Mondo TV France S.A.; lastly, the increase in the retained results is due to the carry forward of 2017 profits.

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

- all of the share capital and legal reserve may only be used for covering losses;
- the entire amount of share premium may be used for capital increase, for covering losses, and may also be distributed among the shareholders without this representing taxable profit for shareholders.
- no revaluation reserves exist;
- there are no reserves or other provisions, which, in case of distribution, contribute to form the

Company's taxable income, regardless of the period of creation;

- there are no reserves or other provisions, which, in case of distribution, do not contribute to form the corporate taxable income, regardless of the period of creation;
- there are no reserves or other provisions incorporated in the share capital;
- the item “Other reserves” includes the reserve for the sale of shares of Mondo France and Mondo TV Suisse and Mondo TV Iberoamerica for Euro 10,125 thousand, the actuarial adjustment of post-employment benefits for Euro 64 thousand, the reserve for unrealized exchange rate gains of Euro 715 thousand and expenses relating to Gem and Atlas transactions for a total of Euro 2,640 thousand.

11 PROVISIONS FOR RISKS AND CHARGES AND POST-EMPLOYMENT BENEFITS

The breakdown of the provisions recorded in the financial statements is shown below:

Provisions for current and non-current risks and charges			
(Euro thousands)	**31/12/2018**	**31/12/2017**	**change**
Post-employment benefits	**545**	**482**	**63**
Provision for losses on equity investments	2,994	762	2,232
TOTAL NON-CURRENT	**2,994**	**762**	**2,232**
Provision for tax audit risks	27	27	0
Other risks and charges	0	2	(2)
TOTAL CURRENT	**27**	**29**	**(2)**

While the table below shows the changes during the year in the provisions recorded in the financial statements:

Changes in Post-employment benefits and Provisions for current and non-current risks and charges				
(Euro thousands)	**31.12.2017**	**Allocations**	**Used**	**31.12.2018**
Post-employment benefits	482	74	(11)	545
Provision for losses on equity investments	762	2,232	0	2,994
TOTAL NON-CURRENT	**1,244**	**2,306**	**(11)**	**3,539**
Provision for tax audit risks	27	0	0	27
Other risks and charges	2	0	(2)	0
TOTAL CURRENT	**712**	**0**	**(2)**	**27**

The allocation to the provision for risks on investments is attributable for Euro 2,183 thousand to the recognition in the financial statements of Mondo TV S.p.A. of the accrued loss arising from the financial statements of the subsidiary Mondo TV Iberoamerica S.A. in the year ended 31 December 2018 and for Euro 49 thousand to the recognition of the accrued loss in the financial statements of the subsidiary Mondo TV Toys.
Therefore, the provision for losses on investments recorded at 31 December 2018 for a total amount of Euro 2,994 thousand is attributable for Euro 2,845 thousand to the subsidiary Mondo TV Iberoamerica S.A. and for the remaining amount of Euro 149 thousand to the subsidiary Mondo TV Toys.

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, please refer to the paragraph below “Contingent Liabilities”.

12 CURRENT AND NON-CURRENT PAYABLES

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

(Euro thousands)	**31/12/2018**	**31/12/2017**	**change**

Breakdown of trade payables			
Due to suppliers	16,215	10,083	6,132
Due to subsidiaries	2,212	2,414	(202)
Total trade payables	**18,427**	**12,497**	**5,930**
Breakdown of other payables			
Payables for wages, salaries and fees	392	412	(20)
Due to social security institutions	210	214	(4)
Co-production – temporary balance	367	433	(66)
Other payables	52	3	49
Total other payables	**1,021**	**1,062**	**(41)**
Total trade and other payables	**19,448**	**13,559**	**5,889**

Payables to suppliers mainly refer to the provision of services necessary for the production and sale of film rights, as well as to the activities performed by consultants to the benefit of the Company during 2018.

As for payables due to subsidiaries, reference should be made to paragraph “Related-party and intragroup transactions” in the report on operations.

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

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

Breakdown of financial payables

(Euro thousands)	31/12/2018			31/12/2017		
Description	**Due within 12 months**	**After 12 months**	**Total**	**Due within 12 months**	**After 12 months**	**Total**
Due to banks for loans	**0**	252	252	**0**	418	418
Non-current payables	**0**	**252**	**252**	**0**	**418**	**418**
Bank overdrafts and loans	556	0	556	1,459	0	1,459
Payables for financial leasing	69	0	69	96	0	96
Current payables	**625**	**0**	**625**	**1,555**	**0**	**1,555**
Total	**625**	**252**	**877**	**1,555**	**418**	**1,973**

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

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

The due dates of the liabilities as at 31 December 2018 are detailed below:

Mondo TV S.p.A.					
Worst case repayment date	**on demand**	**due within 12**	**between 12 and**	**after 36 months**	**Total**

		months	36 months		
Non-current financial payables	**-**	**-**	**252**	**-**	**252**
Payables for convertible bonds	-	-	-	-	-
Medium/long-term financial payables due to banks	-	-	252	-	252
Current financial payables net of cash	**-**	**-**	**-**	**-**	**252**
Short-term financial payables due to third parties	-	-	-	-	-
Trade and other payables	**-**	**19,081**	**-**	**-**	**19,081**
Total as at 31 December 2018	**-**	**19,081**	**252**	**-**	**19,333**

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

13 OTHER LIABILITIES

They amounted to zero at 31 December 2018 compared to Euro 3,611 thousand at 31 December 2017. They referred to revenues for the Company's royalty rights invoiced at the end of the previous year but deemed, pursuant to the revenue recognition principle adopted, to accrue in future years since the relevant media have not been delivered yet.

14 TAX POSITION

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

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

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

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

In July 2017, the Rome Provincial Tax Department fully accepted the appeal filed by the Company against the assessment notices related to 2010. The first instance ruling was then upheld by the Regional Tax Department for Lazio in July 2018. Therefore, the judgement concluded positively for the Company, as no appeal was filed with the Court of Cassation by the Revenue Agency.

In the grounds on which the appeal was upheld, the Tax Commission substantially confirmed the position of the Board of Directors of the Company that considered the hypothesis of losing "scarcely probable" and therefore did not proceed with any provision in the financial report of previous years in relation to the above position.

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

- the first notice refers to VAT and IRAP; the higher VAT ascertained amounts to Euro 536 thousand plus interest, while the penalties amount to Euro 603 thousand; no higher was IRAP ascertained.
  On 16 February 2017, the company filed an appeal against the notice of assessment notified to the Revenue Agency.
  On 8 May 2018, the Rome Provincial Tax Department fully upheld the appeal filed by the Company against the assessment notice for the portion relating to VAT and IRAP.

- The second notice refers to IRES for 2011; the higher IRES ascertained amounts to Euro 724 thousand plus interest, while the penalties amount to Euro 651 thousand.
  For this second notice, the company filed a petition for recalculation to offset losses and reduce penalties, and then appealed to the outcome of the recalculations, for which we are currently waiting for the outcome of the ruling.

In relation to the financial year 2012, on 24 October 2017, the Revenue Agency notified the Parent Company of the assessment notice disputing a lower loss for the year for Euro 100 thousand and higher VAT for Euro 21 thousand, plus interest and penalties. The company appealed against the Revenue Agency in December 2017.

In consideration of the lack of any basis in the judgement of the findings contained in the Formal Notice of Assessment (PVC) of the Guardia di Finanza as reported slavishly by the Revenue Agency in the consequent Notices of Assessment notified, the Directors, also comforted by the judgements issued for 2010 and 2011 and the opinion of the specially appointed consultants, deem scarcely likely that the company may lose in this dispute, and therefore, consistent with the assessments made in the financial report of previous years, no provision was made at 31 December 2018.

An audit is currently underway by the Revenue Agency aimed at the offsets made in 2014 with the use of tax credits resulting from the transformation of deferred tax assets. The audit is in the initial phase of acquiring documentation relating to the formation of the credit and subsequent uses.
Therefore, in light of the above, at this stage, it is not possible to predict the possible outcome of the audit in progress.

15 CONTINGENT LIABILITIES

As far as risks related to ongoing litigation are concerned, at the date of this report, there are no risks that could have a significant impact on the equity, economic and financial situation of the Mondo TV Group.

16 COMMITMENTS

Commitments undertaken by the company not recognised under payables or provisions for risks and charges refer to:
- a guarantee of Euro 304 thousand for a short-term credit line to be used as a self-liquidating loan issued by Confartigianato Fidi in favour of Veneto Banca (now Intesa San Paolo);
- a guarantee of Euro 162 thousand issued by Banca Popolare dell'Emilia Romagna in favour of SIMEST.

17 REVENUES FROM SALES AND OTHER REVENUES

These totalled Euro 16,267 thousand, a decrease of Euro 12,674 thousand compared to the previous year:

Revenues for sales, services and other revenues			
(Euro thousands)	**2018**	**2017**	**Change**
Revenue from sales of rights	11,699	6,966	4,733
Revenue from licensing	361	16,145	(15,784)
Revenue from production services	3,648	5,326	(1,678)
Total revenues from sales and services	**15,708**	**28,437**	**(12,729)**
Other income	**559**	**504**	**55**
Total revenues for sales, services and other revenues	**16,267**	**28,941**	**(12,674)**

Revenues from sales and services decreased from Euro 28,437 thousand in 2017 to Euro 15,708 thousand in 2018; the significant decrease in revenues of Euro 12,729 thousand was due to the events that emerged in relation to the four Asian customers in the second half of the year, as described in detail in the report on operations and in notes 5 (Intangible assets, property, plant and equipment and financial assets) and 7 (Trade and financial receivables) of these notes.

Other revenues amounted to Euro 559 thousand (Euro 504 thousand at 31 December 2017).

18 CAPITALISATION OF INTERNALLY PRODUCED ANIMATED SERIES

The Company produces animated series in-house, incurring, in addition to external costs of direction, screenplay, animation studies and music, the internal costs as well, concerning both the pre-production and post-production phases. These costs are recognised and attributed to the series in progress. Directors recognise the series produced in-house as assets in the statement of financial position when they satisfy the definition of intangible assets in compliance with IAS 38. The Company capitalises these costs only when the costs incurred refer to the actual start of production of animated series: until then, expense incurred is recognised in profit or loss.

The item "Capitalisation of internally produced animated series" amounts to Euro 1,087 thousand for the year ended 31 December 2018 (Euro 1,119 thousand as at 31 December 2017).

The capitalised costs consist of approximately Euro 698 thousand in labour costs and of approximately Euro 389 thousand in operating costs due to third parties.

19 RAW MATERIALS, CONSUMABLES AND GOODS

Costs for purchases of raw materials, consumables and goods amounted to Euro 46 thousand as at 31 December 2018, compared to Euro 86 thousand in 2017.

20 PERSONNEL COSTS

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

Personnel costs			
(Euro thousands)	**2018**	**2017**	**Change**
Salaries and wages	1,128	1,317	(189)
Social security costs	288	359	(71)
Post-employment benefits	74	86	(12)
Total	**1,490**	**1,762**	**(272)**

The decrease between the two years in personnel costs is primarily attributable to lower deferred expenses recognised in 2018.

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

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

Company's human resources (units)			
	31/12/2018	**31/12/2017**	**Average figure**
White-collar workers	24	22	23
Executives	2	2	2
Total	**26**	**24**	**25**

21 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the item is shown below:

Breakdown of depreciation and amortisation			
(Euro thousands)	**2018**	**2017**	**Change**
Proprietary rights	5,614	3,523	2,091
Temporary licenses	2,072	1,342	730
Library impairment	28,296	0	28,296
Sub-total of intangible assets	***35,982***	***4,865***	***31,117***
Plant and machinery	36	35	1
Industrial and commercial equipment	44	45	(1)
Other assets	31	29	2
Sub-total of tangible assets	***111***	***109***	***2***
Allowance for doubtful debts	**23,115**	**1,169**	**21,945**
Total depreciation, amortisation and impairment	**59,208**	**6,144**	**53,064**

For further details and information, reference is made to the related section of the balance of these notes. In particular, with reference to the impairment of the library and allowance for doubtful debts, reference should be made to note 5 (Intangible assets, property, plant and equipment and financial assets) and note 7 (Trade and financial receivables) of these notes respectively.

22 OTHER OPERATING COSTS

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

Other operating costs			
(Euro thousands)	**2018**	**2017**	**Change**
Production costs	1,345	255	1,090
Marketing and commercialisation costs	938	904	34
Consulting services	432	355	77
Remuneration to corporate bodies	304	406	(102)
Other services	980	997	(17)
Service costs	**3,999**	**2,917**	**1,082**

Equipment hire and rents	516	527	(11)
Costs associated with leased assets	**516**	**527**	**(11)**
Sundry operating costs	**345**	**1,042**	**(697)**
Total	**4,860**	**4,486**	**374**

Higher operating costs (Euro 4,860 thousand at 31 December 2018 compared to Euro 4,486 thousand at 31 December 2017) are mainly attributable to higher production costs. There was a decrease in other operating expenses attributable almost entirely to the recognition in 2017 of the charge deriving from the decision of the Court of Milan in relation to the dispute with Clan Celentano S.r.l. (Euro 750 thousand).

23 FINANCIAL INCOME AND EXPENSES

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

Financial income and expenses			
(Euro thousands)	**2018**	**2017**	**Change**
Dividends from subsidiaries	0	0	0
Other finance income	107	97	10
Total finance income	*107*	*97*	*10*
Short-term bank interest payable	(43)	(149)	106
Discounts and bank fees	(116)	(52)	(64)
Other financial expenses	(35)	(191)	156
Total finance costs	***(194)***	***(392)***	***198***
Exchange rate gains	1,381	537	844
Exchange rate losses	(906)	(2,103)	1,197
Exchange rate gains and losses	**475**	**(1,566)**	**2,041**
Impairment on equity investments	**(2,231)**	**0**	**(2,231)**
Total finance income/(costs)	**(1,843)**	**(1,861)**	**18**

The impairment of the investment of Euro 2,231 thousand relates mainly to the realignment of the shareholders' equity of the investment in Mondo TV Iberoamerica.
Exchange rate gains and losses mainly originated from changes in the exchange rate between the Euro and the US Dollar, in relation to commercial relations held in foreign currencies with customers and suppliers and bank accounts.

24 TAXES

The breakdown is shown in the table below.

Breakdown of taxes			
(Euro thousands)	**2018**	**2017**	**Change**
Previous years' taxes	(6)	3	(9)
Current taxes	(177)	(1,093)	916
Tax assets of previous years recognised in the income statement	(922)	(2,406)	1,484
Deferred tax liabilities of previous years recognised in profit or loss	0	223	(223)
Deferred tax assets for the year	12,564	416	12,148
Deferred tax liabilities for the year	(66)	0	(66)
Prepaid (deferred) taxes	11,576	(1,767)	13,343
Taxes for the year	**11,393**	**(2,857)**	**14,250**
IRES (Corporate Income Tax)	10,205	(2,203)	12,408
IRAP (Regional Business Tax)	1,188	(654)	1,842
Taxes for the year	**11,393**	**(2,857)**	**14,250**

25 DIVIDENDS

No dividend was resolved or distributed in 2018.

26 BASIC AND DILUTED EARNINGS PER SHARE

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

Calculation of basic and diluted earnings (loss) per share	**2018**	**2017**
Average number of shares during the year	33,698,910	29,786,110
Profit (loss) for the year (in thousands of Euro)	(38,700)	12,866
Basic and diluted earnings (loss) per share	**(1.15)**	**0.43**

The diluted earning per share as at 31 December 2018 corresponds to the basic earning per share since there are no dilution effects.

27 FINANCIAL RISK MANAGEMENT

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. Financial Risks

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

a) Credit risk
b) Liquidity risk
c) Exchange rate risk
d) Interest rate risk.

<u>Credit risk</u>

Credit risk represents the exposure to potential losses arising from the non-fulfilment of the obligations assumed by the counterparties.
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.
Performing trade receivables have not been impaired since no significant indication of impairment emerged, based on an analysis conducted that took into account both the reliability of the individual customers, and the high distribution of credit risk.

<u>Liquidity risk</u>

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

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

The following table shows the breakdown of Mondo TV's credit lines made available by banks as at 31 December 2018:

	CREDIT LINES - MONDO TV SPA - 31.12.2018			
(values in Euro millions)	Cash	Trade	Loans	Total
Unicredit	0	0	0	**0**
BNL	0	0	0.0	**0**
CREDEM	0	0.4	0	**0.4**
CREDEM FACTORING	0	1	0	**1**
SIMEST	0	0	0.2	**0.2**
Veneto Banca	0	0	0.25	**0.25**
Total	**0**	**1.4**	**0.45**	**1.85**

Exchange rate risk

The Company is exposed to the exchange rate risk due to the recognition of currency transactions (in US Dollars) generated by investments and sales.
The exchange rate risk is managed by keeping part of cash in US Dollars, normally enough to settle the debts and commitments in dollars.

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).

Considering its financial exposure, Mondo TV is subject to the interest rate risk to a modest extent.

2. Risks associated with dependency on key managers

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

3. Risks associated with the commercial exploitation of intellectual property rights of third parties

The Company's revenues may be influenced by factors, independent of the Company, 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 Company's performance, financial position and cash flows.

4. Risks associated with litigation

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

28 REMUNERATION TO CORPORATE BODIES AND EXECUTIVES

During the year ended 31 December 2018, the Board of Directors earned remuneration net of social security costs of Euro 195 thousand as resolved by the Company's Ordinary Shareholders' Meeting on 30 April 2018 and by the Board of Directors' meeting of 01 June 2018. Remuneration is broken down as follows:

(Euro thousands)	**31.12.2018**	**31.12.2017**
Remuneration	195	276
Post-employment benefits	-	-
Other long-term benefits	-	-
Indemnities for the termination of employment	-	-
Stock options	-	-
TOTAL	**195**	**276**

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

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

Surname	**Name**	**Office held**	**Annual**
Corradi	Monica	Board Member of Mondo TV S.p.A.	93
Corradi	Matteo	Board Member of Mondo TV S.p.A.	181
Fedele	Aurelio	Board Member of Mondo TV S.p.A.	20
Mola	Angelica	Board Member of Mondo TV S.p.A.	12
Marchetti	Carlo*	Board Member of Mondo TV S.p.A.	162
		Total Directors	**468**
Ferrari	Marcello	Chairman of the Board of Statutory Auditors of Mondo TV S.p.A.	15
Barra	Adele	Member of the Board of Statutory Auditors of Mondo TV S.p.A.	10
Romani	Vittorio	Member of the Board of Statutory Auditors of Mondo TV S.p.A.	10
		Total Statutory Auditors	**35**
		Total Directors and Statutory Auditors	**503**

*Of which Euro 96 thousand as executive, Euro 15 thousand as director and Euro 45 thousand as director in subsidiary companies

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

It is hereby specified that no indemnity shall be granted to Directors in case of early termination of the employment relationship.
No succession plan is envisaged for executive directors.
There are no managers with strategic responsibilities.

29 REMUNERATION OF THE INDEPENDENT AUDITOR

As required by article 149-duodecies of the CONSOB Issuers' Regulation, the fees recorded by the Company in relation to the audit services during 2018 and amounting to Euro 55 thousand, are shown below. Exclusively audit services and services related to fairness opinions were provided during the year.

Euro thousands

Type of service	Service provider	Recipient	Remuneration	Period
Audit	BDO Italia S.p.A.	Mondo TV S.p.A.	55	2018

Other services	BDO Italia S.p.A.	Mondo TV S.p.A.	29	2018
Total remuneration			**84**	

30 INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of trade receivables and other financial assets, of trade and other payables and of other financial liabilities does not diverge from the carrying amounts as at 31 December 2018 since it mainly refers to assets underlying commercial dealings which are expected to be settled in the short term.
Non-current financial assets and liabilities are settled at market rates and therefore their fair value is essentially deemed to be in line with the current market value. Therefore, there are no differences between their fair value and their carrying amount.

31 ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication DEM/6064293 of 28 July 2006 “Disclosure for listed issuers and issuers of financial instruments widely distributed among the public pursuant to article 116 of the Consolidated Finance Act (TUF, Testo Unico della Finanza) – 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

To date, there have been no events after 31 December 2018 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the financial statements.

In March, Mondo TV S.p.A. reached settlement agreements with three of the four Asian customers who had sent termination in relation to certain existing sales contracts (see the section Relations with the parent company's main customers and effects on the financial statements in this Report).

Specifically, an agreement was entered into with the customer Broadvision Rights Ltd. on 14 March 2019 outlining the following: 1) Broadvision Rights Ltd. complains about delays in deliveries by Mondo TV S.p.A. and disputes the quality of the productions carried out, while Mondo TV S.p.A. fully rejects the objections of Broadvision Rights Ltd.; 2) the definitive cancellation of the third series provided for in the contract and not yet started is established, while as regards the two existing productions, the following is established:

- Mondo TV S.p.A. is entitled to retain the amount already received for the animated series *Play time Buddies* and will regain full ownership of the distribution rights, while further payments by Broadvision Rights Ltd. will cease for the series in question.
- the animated series *Sissi third season* was halved, passing to 26 episodes, in a format that is in any case very commercial with an investment by Broadvision Rights Ltd. that fell to USD 2,400 thousand (originally USD 4,800 thousand);
- the minimum guaranteed amount of USD 500 thousand that Mondo TV S.p.A. should have paid to Broadvision Rights Ltd. was cancelled.

With regard to relations with Hong Kong Yiqi Culture, the companies have reached a settlement agreement whereby Mondo TV S.p.A. will retain the amount already collected, equal to approximately USD 11,900 thousand for the old library and USD 3,900 thousand for the part relating to the new productions, for a total of USD 15,800 thousand, waiving any further claims, however immediately returning to possession of the rights to exploit both the old library and the new series (*Duckport*, *Partidei* and *Beastkeepers*).

Accordingly, the parties mutually waive their right to take legal action with respect to the contracts governed by the settlement agreement, and the contracts relating to the animated series *Bat Pat* and *Meteo Heroes* shall continue as normal.

With regard to relations with Hong Kong Nine Technology, the companies have reached a settlement agreement that provides for the replacement of the two animated series *Rowly Powly* and *Dee and Doo* with two new animated series currently being negotiated by Mondo TV with third-party co-producers and approved by Hong Kong Nine Technology.

Finally, with regard to relations with New Information Tech, following contract termination, Mondo TV S.p.A. sent a communication to the customer in which it contested the validity of the termination, complaining about delays in payments and reiterating that the contract, which does not provide for a performance guarantee by Mondo TV S.p.A., must be considered to be still in place and therefore invites New Information Tech to fulfil its obligations. Otherwise, Mondo TV will take the necessary action to recover the credit.
In a subsequent reply, New Information Tech. reiterated the validity of the termination, contesting the delays in the production of the two projects that made the commercial exploitation of the two series impossible, reiterating that in the event of a dispute, they would request the restitution of the sums already paid and the relative damages. At present, Mondo TV S.p.A.'s lawyers have been appointed to agree on the action to be taken.

On 15 March 2019, the first 26 episodes of the animated series Yoohoo and Friends were available globally on the Netflix platform.

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

With reference to the loss for the year of Euro 38,699,955, it is proposed that it be covered through the use of retained earnings and other available reserves, and the remainder through the use of the share premium provision.

* * * *

The Board of Directors' meeting of 29 March 2019 authorised the publication of these financial statements.

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

____
(Matteo Corradi)

Certification of the Financial Statements as at 31 December 2018 in compliance with article 154-bis, paragraph 5, of Legislative Decree 58/1998 as subsequently amended and supplemented

1. The undersigned Matteo Corradi and Carlo Marchetti, in their respective capacities as CEO and Head of Financial Reporting of Mondo TV S.p.A. (the **Company** or the **Issuer**) certify, also taking into account the provisions of 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 separate financial statements as at 31 December 2018.

2. No significant aspects have emerged.

3. It is also certified that:

3.1 the separate financial statements as at 31 December 2018:

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

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

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

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

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

Rome, 29 March 2019

______________________________ ______________________________

Chief Executive Officer	Head of Financial Reporting
Matteo Corradi	Carlo Marchetti

ANNEXES

1 CORPORATE BODIES AND COMMITTEES OF THE PARENT

Board of Directors[6]

Chair and CEO
Matteo Corradi
Directors
Monica Corradi
Aurelio Fedele[7]
Angelica Mola[8]
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[9]

Marcello Ferrari (Chair)
Adele Barra
Vittorio Romani

Independent Auditors[10]

BDO Italia S.p.A.

Sponsor and Specialist

Banca Finnat

[6] In office until the approval of the Financial Statements at 31.12.2020
[7] Independent Director
[8] Independent Director
[9] In office until the approval of the Financial Statements at 31.12.2019
[10] Assignment for nine financial years, until the approval of the financial statements at 31.12.2023

2 POWERS AND CORPORATE GOVERNANCE

Powers

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

Corporate Governance

The Corporate Governance system, still being implemented, is inspired by the recommendations provided by the relevant committee of listed companies that drafted the Corporate Governance Code as well as by the subsequent legal provisions on the governance of listed Companies.
The Company is directed by a ***Board of Directors*** currently consisting of 5 members, as resolved by the Shareholders' Meeting of 30 April 2018.
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 14 May 2018 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 2017 and will remain in office until the Shareholders' Meeting that will approve the financial statements as at 31 December 2019.

The ***Investor Relations*** department, headed by Piergiacomo Pollonio since 21/11/2018, was set up to facilitate the dialogue between the Company, shareholders and institutional investors.
The same is also specifically responsible for ensuring that the documents and information regarding the Company, in particular those that are price sensitive, are disclosed to the public in compliance with the instructions provided by CONSOB with regulation 11971 and by Borsa Italiana.

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

In the period from 1 January to 31 December 2018, the Board of Directors met 10 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 2020, as resolved by the Shareholders' Meeting of 30 April 2018.

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, verifies the execution and implementation of the model.

3 CORPORATE BODIES OF THE SUBSIDIARIES

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

4 LIST OF THE EQUITY INVESTMENTS IN THE SCOPE OF CONSOLIDATION

List of the equity investments held as at 31.12.2018	
Company Name	**Mondo TV Suisse S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2018	CHF 1,089,962
Profit (loss) for the year 2018	CHF 420,302
Ownership interest	56%
Company Name	**Mondo TV France S.A.**
Registered Office	Paris (France)
Share capital	Euro 1,100,000
Equity as at 31.12.2018	Euro 1,094,668
Profit (loss) for the year 2018	Euro (451,593)
Ownership interest	23%
Company Name	**Mondo TV Iberoamerica S.A.**
Registered Office	Madrid (Spain)
Share capital	Euro 500,000
Equity as at 31.12.2018	Euro (1,498,643)
Profit (loss) for the year 2018	Euro (3,476,254)
Ownership interest	71%
Company Name	**Mondo TV Producciones Canarias S.L.U.**
Registered Office	Tenerife (Spain)
Share capital	Euro 3,006
Equity as at 31.12.2018	Euro (2,443,162)
Profit (loss) for the year 2018	Euro (2,709,800)
Ownership interest	71% (indirect investment)
Company Name	**Mondo TV Toys S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2018	CHF (165,720)
Profit (loss) for the year 2018	CHF (4,536)
Ownership interest	100%

5 LIST OF RELATED PARTIES

Giuliana Bertozzi	MTV Shareholder
Matteo Corradi	MTV Shareholder, Director of MTV, MFR, MSUISSE, MIBEROAMERICA, MCANARIAS
Monica Corradi	MTV Shareholder and Director
Riccardo Corradi	MTV Shareholder
Aurelio Fedele	MTV Director
Angelica Mola	MTV Director
Carlo Marchetti	Director of MTV, MFR, MIBEROAMERICA,