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

Mondo TV S.p.A.

Share Capital Euro 15,491,804.50 - 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 2017

Draft: Board of Directors' Meeting of 27 March 2018
Approved: General Meetings of 30 April 2018

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BOARD OF DIRECTORS (1)

Chairman	Orlando Corradi
Chief Executive Officer	Matteo Corradi
Directors	Monica Corradi Carlo Marchetti Marina Martinelli (Independent) - Chair of the Remuneration Committee and member of the Internal Control Committee Francesco Figliuzzi (Independent) - Chair of the Internal Control Committee and member of the Remuneration Committee

BOARD OF STATUTORY AUDITORS (2)

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

INDEPENDENT AUDITORS (3)

BDO Italia S.p.A.

(1) The appointment to the Board of Directors is set to expire with the approval of these Financial Statements and therefore the Shareholders' Meeting called for approval is called upon to determine the appointment for the three-year period 2018-2020.

(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 2017, 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 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 management report that accompanies both the individual and consolidated financial statements of the Parent, giving more prominence, unless otherwise indicated, to the phenomena at Group level.

The Group operated in 2017, as in the previous year, in an economic context of slight recovery, both in Italy and in most of Europe; in this context, the sales strategy of the Group Companies, already undertaken in previous years, was successful based on penetration in countries in sustained economic growth, such as the United Arab Emirates, China, Asia and Russia.
In addition, the disappearance in recent years of a number of operators on the animation market in particular, has allowed the Parent to acquire new customers due to reduced competition.

Consolidated results

Compared to 2016, revenue growth of Euro 4.5 million in absolute value and about 16% in percentage terms is mainly attributable to higher sales of licensing rights in the Asian market mainly by the Parent Company, which by now represents the reference market of the group.

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 1.4 million (Euro 1.2 million in 2016).

Operating costs decreased by Euro 0.9 million, mainly due to the lower volume of production realized on behalf of third-party contractors.

The Gross Operating Margin went from Euro 19.4 million in 2016 to Euro 25.1 million in 2017, with an increase of Euro 5.7 million; the 29% increase was due to the higher volume of revenues compared to 2016 and the increase in margins due to the different mix of revenues, which in 2017 saw an increase in sales of rights and a decrease in executive production.

In light of the foregoing, the operating result after amortization, depreciation, impairment and provisions (Euro 7.5 million, compared to Euro 6.7 million in 2016) is positive for Euro 17.6 million, compared to Euro 12.7 million in 2016, with an increase of Euro 4.9 million in absolute terms and 38% in percentage terms.

In 2017, the financial management is negative for Euro 2.2 million, against a zero balance in 2016, determined mainly by estimated foreign exchange losses following the weakening of the US dollar with respect to the Euro that was recorded in 2017.

After income taxes of Euro 3.1 million (Euro 4.5 million in 2016), there was a significant increase in net profit attributable to the group, which stood at Euro 12.8 million compared to Euro 8.6 million in the previous year, with a change of 4.2 million in absolute terms and 50% in percentage terms.

Despite the significant investments made during the year, the net financial position showed a Group net debt of Euro about 1.8 million, also due to the extraordinary finance transaction with Atlas (reference is made to the paragraph dedicated to Significant events in 2017, for further information), compared to Euro 0.7 million debt at 31 December 2016.

The Group's shareholders' equity went from Euro 55.4 million at 31 December 2016 to Euro 77.1 million at

31 December 2017 mainly due to the positive result for the year (net profit of Euro 12.8 million) and the extraordinary finance transaction mentioned above (Euro 6.9 million).

Results of the Parent Company

Compared to 2016, revenue growth of Euro 3.8 million in absolute value and about 15% in percentage terms is mainly attributable to higher sales of licensing rights in the Asian market, which by now represents the reference market of the Company and the Group.

The capitalisation of internally produced animated series was Euro 1.1 million (Euro 1.2 million in 2016).

Operating costs decreased by Euro 0.8 million, mainly due to lower production volumes.

The Gross Operating Margin went from Euro 19.1 million in 2016 to Euro 23.7 million in 2017, with an increase of Euro 4.6 million; the 24% increase was mainly due to the higher volume of revenues compared to 2016 and the increase in margins due to the different mix of revenues, which in 2017 saw an increase in sales of rights and a decrease in executive production.

In light of the foregoing, the operating result after amortization, depreciation, impairment and provisions (Euro 6.1 million, as in 2016) is positive for Euro 17.6 million, compared to Euro 13.1 million in 2016, with an increase of Euro 4.5 million in absolute terms and 34% in percentage terms.

In 2017, the financial management is negative for Euro 1.9 million, against a negative result of Euro 0.1 million in 2016, determined mainly by estimated foreign exchange losses following the weakening of the US dollar with respect to the Euro that was recorded in 2017.

After income taxes of Euro 2.9 million (Euro 4.3 million in 2016), there was a significant increase in net profit for the year, which stood at Euro 12.9 million compared to Euro 8.6 million in the previous year, up Euro 4.3 million in absolute terms and 49% in percentage terms.

Despite the significant investments made during the year, the net financial position showed net availability of Euro 4.9 million (mainly represented by medium to long-term financial receivables from subsidiaries), also due to the extraordinary finance transaction with Atlas (reference is made to the paragraph dedicated to Significant events in 2017, for further information), compared to net availability of Euro 2.5 million at 31 December 2016.

The shareholders' equity of Mondo TV S.p.A. went from Euro 54.7 million at 31 December 2016 to Euro 77.3 million at 31 December 2017 mainly due to the positive result for the year (net profit of Euro 12.9 million) and the extraordinary finance transaction mentioned above (Euro 6.9 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 2017 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"* company dedicated to the production of animation series and, to a lesser extent, the acquisition thereof on the market, for exploitation in both the television sector and in 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 2017 amounts to about 26%.

Mondo TV Suisse S.A. realizes productions and co-productions of animated television series for clients in the USA, the Middle East, Asia and Russia.
In particular, we highlight, among others, the agreement with Abu Dhabi Media for the realization in a three-year period of nine animated series for a total of USD 14.1 million.
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 2017 was approximately 58%.

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 2017 was 73%.

Mondo TV Toys S.A., incorporated by the Parent Company in HY1 2016, was placed in voluntary liquidation on 26 June 2017. The percentage of investment of Mondo TV S.p.A. is 100%.

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 73%.

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 the so-called "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

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)	**31.12.2017**	**31.12.2016**
Non-current fixed assets	**47,765**	**36,801**
Current assets	51,200	35,981
Current liabilities	(18,985)	(15,465)
Net working capital	**32,215**	**20,516**
Non-current liabilities	**(482)**	**(638)**
Invested capital	**79,498**	**56,679**
Net financial position	(1,789)	(703)
Shareholders' equity	**77,709**	**55,976**
Non-controlling interests	569	564

Equity attributable to owners of the Parent	**77,140**	**55,412**

Reclassified condensed consolidated income statement		
(Euro thousands)	**31.12.2017**	**31.12.2016**
Revenues	32,593	28,045
Capitalisation of internally produced animated series	1,405	1,200
Operating costs	(8,938)	(9,851)
EBITDA	**25,061**	**19,395**
Amortisation and depreciation, impairment, and provisions	(7,496)	(6,687)
EBIT	**17,564**	**12,707**
net finance income (expenses)	(2,154)	9
Profit (loss) of the period before tax	**15,410**	**12,716**
Income tax expense	(3,116)	(4,453)
Net profit (loss) for the period	**12,294**	**8,263**
Profit (loss) for the year attributable to non-controlling interests	(523)	(292)
Profit (loss) attributable to owners of the Parent	**12,817**	**8,555**
Losses/Earnings per share (basic and diluted)	**0.43**	**0.31**

Consolidated net financial position

(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
Cash and cash equivalents	2,408	1,810	598
Current financial payables due to banks	(3,611)	(2,095)	(1,516)
Net current financial position	**(1,203)**	**(285)**	**(918)**
Payables for convertible bonds	(330)	0	(330)
Non-current payables due to banks	(418)	(580)	162
Net non-current financial position	**(748)**	**(580)**	**(168)**
Net financial debt as per comm. Consob DEM/6064293	**(1,951)**	**(865)**	**(1,086)**
Non-current financial receivables from third parties	162	162	0
Consolidated net financial position	**(1,789)**	**(703)**	**(1,086)**

Financial ratios		
	2017	**2016**
ROI (EBIT / invested capital)	22.09%	22.42%
ROS (EBIT / revenue)	53.89%	45.31%

ROE (profit for the year / equity of the Group)	16.62%	15.44%
Equity to non-current assets ratio (cons. equity+equity / NCA)	1.64	1.54
NFP / equity	0.02	0.01

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)	**31.12.2017**	**31.12.2016**
Non-current fixed assets	**42,743**	**33,756**
Current assets	48,224	34,404
Current liabilities	(17,402)	(14,560)
Net working capital	**30,822**	**19,844**
Non-current liabilities	**(1,244)**	**(1,400)**

Invested capital	**72,321**	**52,200**
Net financial position	4,933	2,476
Shareholders' equity	**77,254**	**54,676**

Condensed statement of comprehensive income		
(Euro thousands)	**31.12.2017**	**31.12.2016**
Revenues	28,941	25,166
Capitalisation of internally produced animated series	1,119	1,159
Operating costs	(6,332)	(7,195)
EBITDA	**23,728**	**19,130**
Amortisation and depreciation, impairment, and	(6,144)	(6,051)
EBIT	**17,584**	**13,079**
net finance income (expenses)	(1,861)	(133)
Profit (loss) of the period before tax	**15,723**	**12,946**
Income tax expense	(2,857)	(4,302)
Profit (loss) for the year	**12,866**	**8,644**
Earnings per share	**0.43**	**0.31**
Diluted earnings per share	**0.43**	**0.31**

Net financial position			
(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
Cash and cash equivalents	1,276	1,380	(104)
Short-term financial receivables	1,829	134	1,695
Short-term financial payables	(1,555)	(1,245)	(310)
Net short-term financial position	**1,550**	**269**	**1,281**
Long-term financial receivables	3,801	2,787	1,014
Medium/long-term portion of loans payable	(418)	(580)	162
Net medium/long-term financial position	**3,383**	**2,207**	**1,176**
Net financial position	**4,933**	**2,476**	**2,457**

Financial ratios		
	2017	**2016**
ROI (EBIT/invested capital)	24.31%	25.06%
ROS (EBIT/revenue)	60.76%	51.97%
ROE (profit for the year/equity)	16.65%	15.81%
Equity to non-current assets ratio (cons. equity+equity/NCA)	1.78	1.66
NFP/equity	-0.06	-0.045

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.

The indexes outlined above show a substantial economic and financial improvement of 2017 operations compared to the previous year.

SIGNIFICANT EVENTS OF 2017

INVESTMENTS IN THE LIBRARY

In 2017, the typical production activity of the Parent Company Mondo TV continued as well as the acquisition by other Group companies; in particular, the most significant investments concern the production of the animated series Invention Story, Beastkeepers, Partidei, Sissi, Rowly Powlys, Final Fight, Naraka, Robot Trains and Adventures in Duckport by the Parent Company and the live teen series Heidi by the subsidiary Mondo TV Iberoamerica.

Investments in Library (Euro thousands)

Category	**31.12.2017**	**31.12.2016**
Animated series	13,946	16,561
Live series	3,241	2,635

Sub-total of investments in new productions	***17,187***	***19,196***
Temporary licenses – animation	384	413
Temporary licenses – live series	1,388	859
TOTAL	**18,959**	**20,468**

ACQUISITION AND ESTABLISHMENT OF NEW COMPANIES

No new companies were acquired or established in 2017.

SIGNIFICANT EVENTS OF 2017

In February, an agreement was formalized with CJ E&M, a Korean content and marketing company, with which the Parent Company Mondo TV was appointed TV distributor and licensing representative in a number of territories of the new Robot Trains animation series.

Mondo TV will be TV distributor of Robot Trains in Turkey, the Middle East and Africa, Portugal, Spain, Italy and Israel and licensing representative in the aforementioned European countries in addition to the Middle East.
It is expected that the series may receive a strong licensing development, especially in toys, but also in games, clothing, household items and publishing.
After two years of design and production, Robot Trains has gained tremendous success in Korea. It was launched in seven different channels including a Free TV (SBS) and the Tooniverse Pay TV channel. Thanks to its quality animation, the series was the no. 1 aired on the SBS channel.

Also in February, the agreement was reached between Mondo TV Iberoamerica S.A. and Alianzas Producciones S.A., a company based in Buenos Aires and already a producer of successes such as "*Chica Vampiro*", *"Il Mondo di Patti"* and "*Yo Soy Franky"*, for the coproduction of two new seasons of the live teen series *"Heidi"*. The two new projects, with the provisional title *"Heidi, bienvenida al show"* and *"Heidi, bienvenida a la fama"*, will both consist of 60 episodes of 45 minutes each and will retain the character of modern adaptation of the famous story related to the character Heidi, in continuity with the first series already produced.

Mondo TV Iberoamerica S.A. will participate in coproduction with a budget contribution of USD 4 million for each series, acquiring 60% of the copyright on the work, while the partner will deal with the realisation phase as executive producer. Mondo TV Iberoamerica will deal with the distribution of the program around the world with the exclusion of the territories of Argentina, Chile, Paraguay and Uruguay with a variable commission depending on whether there is a direct sale or through sub-distributor.

With this contract, Mondo TV Iberoamerica S.A. will continue to develop the new business for the Mondo TV Group related to the production of live teen series, in response to the growing demand for such television products and the promising response from the market in relation to the first season of Heidi.

On 27 February, Mondo TV, in order to finance its investment program, with a strong growth over previous years, 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.

It is recalled that the Atlas Contract provides for the Company's right to request the subscription of the Bond in four tranches: the subject of the Request of 27 February 2017 was two tranches (the second and third; the first tranche of 18 bonds for a total counter-value of Euro 4,500,000 was instead called and converted in the previous year) of 12 and 18 bonds, respectively, for a total counter-value of Euro 7,500,000; these bonds were entirely converted into shares in 2017.

In April, Panini S.p.A., world leader in stickers and trading cards, acquired from Mondo TV Iberoamerica a license for the territories of Europe and Latin America for the exploitation of licensing and merchandising rights of the live TV series *"Heidi, bienvenida a casa"*, for the realization and commercialization of several collectables and limited to the territory of the Iberian peninsula also of publishing products such as books and magazines.
The license provides for the exploitation of the brand in local languages with the launch in 2018; the agreement provides for the payment of a minimum guaranteed and royalties by Panini in favour of Mondo TV Iberoamerica for sales exceeding the amount of the guaranteed minimum.

In June, the subsidiary Mondo TV Iberoamerica concluded an agreement with SH The Children's Channel 2016 Ltd, based in Tel Aviv, and the primary channel for children Yes Kidz, to broadcast the first season of the live teen series *"Heidi, Bienvenida a casa"* in Israel.
The license will have a duration of three years and will include pay-per-view satellite broadcast (in addition to the new technologies) in Hebrew of the series. The agreement thus represents an important starting point for a foreseeable large-scale development of licensing and merchandising derived from Heidi in the territory.

In June, the Parent Company signed a new agreement with Ravensburger S.p.A. for the granting of some licensing rights related to the property Robot Trains, owned by CJ E&M, a Korean content and marketing company, of which Mondo TV is distributor in different countries.
The agreement with Ravensburger S.p.A. provides for licensing in relation to "puzzle" products in 2D and 3D as well as for games of memory type for a period of two years starting on 01 January 2018 in Italy, San Marino, Vatican and Canton Ticino.
The agreement provides for the payment of a guaranteed minimum and the payment of royalties in case of exceeding this amount. It is recalled that part of the above amounts (both guaranteed minimums and royalties) will be recognized to CJ E&M as the owner of the property, while 30% of them are of Mondo TV. In addition to the economic data, which is particularly interesting in case of exceeding the guaranteed minimum, the agreement is an encouraging strengthening, also for the importance of the licensor, of the licensing exploitation plan of Robot Trains, which is expected to provide interesting results for Mondo TV.

On 31 July 2017, the Shareholders' Meeting of the subsidiary Mondo TV France S.A. approved the issue of a convertible bond in several tranches in favour of Atlas Capital for a total amount of Euro 2.5 million. At 31 December 2017, the first and second tranches of the bond had been disbursed for a total counter-value of Euro 500,000, of which 450,000 converted into shares in 2017 and Euro 50,000 converted in January 2018.

On 29 August 2017, the Shareholders' Meeting of the subsidiary Mondo TV Iberoamerica S.A. approved the issue of convertible bonds in several tranches in favour of Atlas Capital for a total amount of Euro 5.4 million. At 31 December 2017, the first and second tranches of the bond were called for a counter-value of Euro 400,000, of which 120,000 converted into shares in 2017 and 280,000 converted in the first quarter of 2018.

In September, the subsidiary Mondo TV France received a binding commitment from France Televisions for the pre-acquisition of the animated Rocky series for a total amount of Euro 1.8 million.

On 16 October 2017, Mondo TV Suisse S.A. and Aurora World Corp. announced that Netflix, the world's largest Internet entertainment service, confirmed the license agreement of the TV series in 3D CGI animation based on the *YooHoo* character.

The series will be co-produced by Netflix, Aurora and Mondo TV S.p.A. and will be distributed worldwide by Netflix with a première scheduled for the end of 2018, with the exception of the territories of France, Italy, Spain and Portugal, Russia and Poland, where the new series will be launched on free-to-air channels.
The launch of *Yoohoo* as the original Netflix series represents an important step for the Mondo TV Group to enter the US and global markets.

In November, the Parent Company signed a new significant agreement with the Chinese group Henan York, already a partner of the group.

The agreement provides for the entry of the Henan York group in the projects related to the two animated series *"Final Fight"* and *"Naraka"*, with an investment of USD 1,950 million for each series, for a total of USD 3.9 millions, which will be paid in 18 months from January 2018.
Against this investment, the Henan York group will have a share of worldwide licensing and merchandising revenues deriving from the exploitation of the two series.
In particular, *"Final Fight"* is an animated series consisting of 26 episodes of 22 minutes each, while *"Naraka"* consists of 52 episodes of 11 minutes each; the two properties are mainly destined to the Chinese and Asian market for the launch also in the merchandising, toy and game on mobile sectors, and the executive production is entrusted to the Taiwanese company Nada Holdings; both projects will be completed by 31 December 2018.
The new agreement marks a new important step in the development of these two very significant projects in the strategy for expansion in Asia of the Mondo TV Group with the creation for the first time of two projects with a strong business vocation in order to exploit the great opportunities in terms of turnover that can come from that area.

INFORMATION ON SHAREHOLDERS AND THE SHARE PRICE

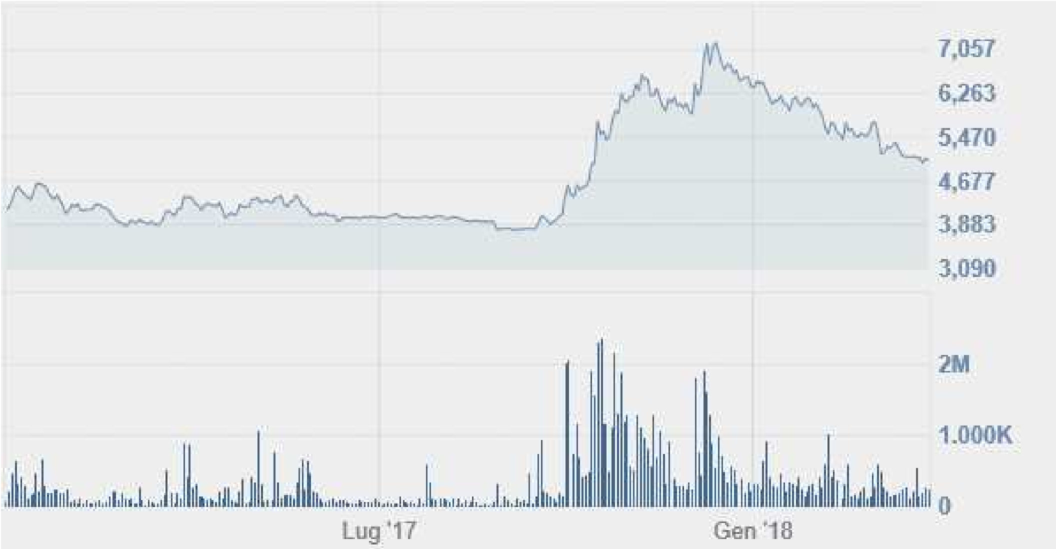
Mondo TV S.p.A.'s shareholding structure as at 31 December 2017 was as follows:

Largest shareholders			
		no. of shares	**%**
Orlando Corradi		11,680,000	38.15%
	Sub-total	**11,680,000**	**38.15%**
Other shareholders		18,935,553	61.85%
		30,615,553	**100.00%**

The issuer is unaware of the existence of shareholders' agreements as described in art. 122 of the Consolidated Finance Act (TUF, Testo Unico sulla Finanza); the general 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 stock price trend remained largely stable over the past 12 months highlighting a steady growth in prices starting in October and then stabilizing starting from the first months of 2018; at 26 March 2018, the stock value is equal to Euro 5.03 per share, with a Stock Market capitalisation of approximately Euro 154 million.

Below is the stock price trend from 1 January 2017 to 26 March 2018:



The statement below shows the shareholdings of the members of the Parent's Administration and Control bodies and key management personnel:

Directors' and Statutory Auditors' Shareholdings				
first and last name	**shares as at 31.12.2016**	**shares purchased**	**shares sold**	**shares as at 31.12.2017**
Orlando Corradi	12,807,100	636,292	(1,763,392)	11,680,000
Matteo Corradi	13,500	0		13,500
Carlo Marchetti	5,512	0		5,512

BUSINESS OUTLOOK, MAIN RELEVANT RISKS

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

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.
Already in previous years, the Group Companies adopted appropriate procedures, such as the verification of debtors' solvency, to minimise the exposure to this risk.
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
The positions for which a risk of partial or total non-collectability is noted, are subject to individual impairment.
At 31 December 2017, trade receivables of the Group amounted to Euro 48,196 thousand, Euro 10,850 thousand of which past due by more than 12 months. An allowance for doubtful debts of Euro 4,429 thousand was recognised in relation to these receivables.

As at 31 December 2017, the Parent's trade receivables amounted instead to Euro 45,124 thousand, Euro 9,685 thousand of which past due by more than 12 months. An allowance for doubtful debts of Euro 4,159 thousand was recognised in relation to these receivables.

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.

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 2017:

	CREDIT LINES - MONDO TV GROUP - 31.12.2017			
(values in Euro millions)	**Cash**	**Trade**	**Loans**	**Total**
UBS	0	1	0	**1**
Credit Suisse	0	0.25	0	**0.25**
Unicredit	0	0	0.26	**0.26**
BNL	0	0	0.2	**0.2**
CREDEM	0	0.4	0	**0.4**
CREDEM FACTORING	0	1	0	**1**
SIMEST	0	0	0.2	**0.2**
Veneto Banca	0	0	0.39	**0.39**
Total	**0**	**2.65**	**1.05**	**3.7**

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 2017:

(values in Euro millions)	CREDIT LINES - MONDO TV SPA - 31.12.2017			
	Cash	Trade	Loans	Total
Unicredit	0	0	0.26	**0.26**
BNL	0	0	0.2	**0.2**
CREDEM	0	0.4	0	**0.4**
CREDEM FACTORING	0	1	0	**1**
SIMEST	0	0	0.2	**0.2**
Veneto Banca	0	0	0.39	**0.39**
Total	**0**	**1.4**	**1.05**	**2.45**

At 31 December 2017, with respect to the credit lines mentioned above, there are some past due positions for which negotiations are still ongoing with financial institutions to reach a renegotiation.

It is noted that in recent years, the Parent Company and some of its subsidiaries, in order to finance the significant investments made and to minimize the liquidity risk, have resorted to extraordinary finance transactions by issuing bonds convertible into shares.

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.

As at 31 December 2017, the Group had net assets denominated in US dollars totalling USD 11,135 thousand; if the Euro/Dollar exchange rate as at 31 December 2017 had been 10% lower, foreign currency gains of Euro 928 thousand would have been recorded, while if the exchange rate had been 10% higher, a foreign currency loss of Euro 928 thousand would have been recorded.

As at 31 December 2017, the Parent had instead net assets denominated in US dollars totalling USD 8,017 thousand; if the Euro/Dollar exchange rate as at 31 December 2017 had been 10% lower, foreign currency gains of Euro 668 thousand would have been recorded, while if the exchange rate had been 10% higher, a foreign currency loss of Euro 668 thousand would have been recorded.

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 loans are at floating rates, in particular the Euribor plus a variable spread from 2.5% as regards Mondo France S.A. and up to Euribor +7% for some of the Parent's marginal lines.
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. and in the development of its products.
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

With reference to the two disputes of the Parent Company, the following update is provided:

As regards the dispute against Clan Celentano S.r.l., on 17/5/2017, the Court of Milan, in collegial composition, closed the first-instance of the judgement against Clan Celentano S.r.l. with a sentence that rejected the claim made by Mondo TV against the counterparty.
The rejection of the claim of Mondo TV is accompanied by the partial acceptance of the claims made by Clan Celentano against Mondo TV; in particular, against a claim that can be quantified for approximately Euro 14 million, Mondo TV was sentenced to pay to Clan Celentano S.r.l. the sum of Euro 750 thousand plus interest and monetary revaluation (plus ancillary expenses such as legal fees).

The entire expense of the sentence ruled by the Court of Milan has been included in this financial report and the related payment was settled at the reporting date.

The second dispute was against Pegasus Distribuzione S.r.l., which requested the condemnation of the company, to pay a total amount of Euro 463 thousand for reimbursement of costs incurred for the purchase of products in relation to two sale contracts, and reimbursement of the missed quantifiable gain from a minimum of Euro 101 thousand to a maximum of Euro 169 thousand, in addition to damage to image. With the first-instance ruling on 21 January 2010, the Court of Rome rejected the petition of Pegasus Distribuzione, which challenged the aforementioned ruling.
The appeal sentence of 21 June 2017 definitively rejected the request of Pegasus Distribuzione S.r.l., and ordered it to pay the costs of the proceedings.

5. Risks associated with the Group companies' tax position

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

In relation to 2010, the company received two assessment notices 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 provincial tax department of Rome fully accepted the appeal filed by the Company against the assessment notices related to 2010; thus, the Company's first-instance judgement has been concluded positively.
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 annual financial report as at 31 December 2016 in relation to the above position. In light of the foregoing, there are no direct effects in the financial statements of the sentence of the Provincial Tax Commission mentioned.

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.

- 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 submitted a request for recalculation for deduction of losses and reduction of sanctions.

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 judgement of specially appointed consultants deem scarcely likely that the company may lose in this dispute, the residual value of around Euro 4.7 million and therefore, consistent with the assessments made in the annual financial report as at 31 December 2016, no provision was made in the financial report as at 31 December 2017.

HUMAN RESOURCES AND RESEARCH AND DEVELOPMENT ACTIVITIES

As at 31 December 2017, the Group had 41 employees, of which 4 executives, 37 white-collar workers and middle managers, compared with 36 employees as at 31 December 2016. The breakdown of employees by company is as follows: Mondo TV S.p.A. 24 employees, Mondo TV France S.A. 4 employees, Mondo TV Suisse S.A. 2 employees, Mondo TV Iberoamerica S.A. 3 employees and Mondo TV Producciones Canarias S.L.U. 8 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 2017 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.

The following is outlined.

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.

At the date of this report, bonds have already been converted for a total amount of Euro 2 million.

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 agreement concerns the start and completion of a study phase on the feasibility of the project by September 2019; it is emphasized that the agreement does not in any way bind the parties to proceed after the realization of the park, since the same have not made any commitment, even conditional, in this regard.

The study will focus on the verification and technical, financial and legal analysis of the possible construction plan, as well as the development of a business plan to support the analysis on the possible economic sustainability and profitability of the project.

The project under study foresees that the park will be realized in the urban area of Zhengzhou, capital of the province of Henan, the most populous Chinese province that is currently in a phase of strong economic expansion.

Based on a preliminary illustrative plan developed by Henan York, the initial investment for the realization of the park could amount to around Euro 250 million. Therefore, the study phase will also have to verify the possibility of access to forms of financing for the parties, and the search for possible additional partners, industrial and financial, for the subsequent possible start of the project.

During the study phase, of particular importance will be the technical and legal verifications for the structuring of the operation.

Finally, the parties will use the study period for the development of a detailed business plan that analyzes the key elements for the eventual success of the operation, the risk factors, the growth assumptions with a view to long-term sustainability and the return on investment forecast.

For completeness of information, it is noted that based on a preliminary illustrative plan made by the partner Henan York, the park is expected to generate an annual turnover, starting from its completion and start-up, estimated for 2023, in case of outcome positive of the feasibility study, of around Euro 100 million with a net profit of Euro 14 million. This figure, as well as the amount of the investment requested, will be verified and possibly confirmed during the period of the study subject of the agreement.

RELATED PARTY AND INTRAGROUP 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 31.12.2017**	**Cost 2017**	**Payables as at 31.12.2017**	**Nature of the transactions**
Remuneration of directors and executives				
Orlando Corradi	10	80	0	Chair of the Board of Directors
Matteo Corradi	158	200	8	CEO and Investor Relator
Monica Corradi	0	86	0	Director
Francesco Figliuzzi	0	18	5	Independent Director
Marina Martinelli	0	13	13	Independent Director
Carlo Marchetti	0	120	12	Director
Totals	**168**	**517**	**38**	
Real-estate and service companies				
Trilateral land Srl	0	446	410	Office leasing
Totals	**168**	**963**	**448**	

* Of which Euro 98 thousand as executive compensation, Euro 12 thousand as Director of the Parent Company Mondo TV, and Euro 10 thousand as Director of Mondo TV France S.A.

In addition, the Chairman of the Board of Directors of the Parent Company was paid a fee for the set design and direction of the series *"The Rowly Powlys"* and *"Sissi"* for a total amount of Euro 200 thousand (amount recognized as intangible assets).

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 2017 are described below (eliminated in the consolidated financial statements):

Mondo TV France

In 2017, 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 134 thousand.

Mondo TV Iberoamerica

During the year, Mondo TV S.p.A. granted to the subsidiary additional interest-bearing loans for a total amount of Euro 5,329 thousand at 31 December for the production of the live fiction *"Heidi"* second season; this loan has a duration of three years and is remunerated at a rate of three months Euribor plus 3%; costs for a total amount of Euro 78 thousand and interest from the Parent Company to the subsidiary for an amount of Euro 97 thousand were subsequently re-invoiced by the subsidiary to the Parent Company, in relation to the listing process.

Mondo TV Producciones Canarias

During the year, the Parent Company Mondo TV S.p.A. stipulated contracts relating to Pre-production activities related to the animated series *"Kasslan 3"*, *"Sissi 3 and "Dee and Doo"*; in relation to these contracts, activities were carried out for the study of models and backgrounds for an amount of Euro 495 thousand, which constitute an investment in the library for Mondo TV S.p.A.

Transactions with Mondo TV Suisse

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.

Furthermore, three contracts were signed for the distribution of the animated series *"Bug's Rangers"* by Mondo TV SpA with the recognition to Mondo TV Suisse SA of a Guaranteed Minimum for a total amount of 600 thousand Euro for certain territories, including Italy, Spain, Portugal, Greece, Middle East, Africa and the Far East for a period of time ranging from 5 to 7 years.
Costs were charged back by the subsidiary relating to the listed status and of Mondo TV S.p.A. for a total amount of Euro 127 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.

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:

- Orlando Corradi, Chairman of the Board of Directors;
- Other members of the Corradi family, such as Matteo Corradi, Chief Executive Officer and Investor Relator, Monica Corradi, Member of the Board of Directors;
- 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:

- Orlando Corradi, founder of the Company and Chairman of the Board of Directors;
- Matteo Corradi, the son of Orlando, provides managerial services as part of his job with Mondo TV;
- Monica Corradi, the daughter of Orlando, provides managerial services as part of his 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**	**payables**	**costs**
Orlando Corradi	11	0	80
Monica Corradi	0	0	86
Matteo Corradi	158	8	66
Francesco Figliuzzi	0	5	18
Martinelli	0	13	13
Carlo Marchetti *	0	13	109
Total for directors	*169*	*37*	*372*
Other related parties			
(Euro thousands)	**Receivables**	**payables**	**costs**
Trilateral Land S.r.l.	0	410	446
TOTAL	**169**	**447**	**818**

* Of which Euro 98 thousand as executive compensation and Euro 12 thousand as Board Director.

In addition, the Chairman of the Board of Directors was paid a fee for the set design and direction of the series *"The Rowly Powlys"* and *"Sissi"* for a total amount of 200 thousand euros (amount recorded under intangible assets).

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 2017 are described below:

Mondo TV France
In 2017, 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 134 thousand.

Mondo TV Iberoamerica
During the year, Mondo TV S.p.A. granted to the subsidiary additional interest-bearing loans for a total amount of Euro 5,329 thousand at 31 December for the production of the live fiction *"Heidi"* second season; this loan has a duration of three years and is remunerated at a rate of three months Euribor plus 3%; costs for a total amount of Euro 78 thousand and interest from the Parent Company to the subsidiary for an amount of Euro 97 thousand were subsequently re-invoiced by the subsidiary to the Parent Company, in relation to the listing process.

Mondo TV Producciones Canarias
During the year, the Parent Company Mondo TV S.p.A. stipulated contracts relating to Pre-production activities related to the animated series *"Kasslan 3"*, *"Sissi 3 and "Dee and Doo"*; in relation to these contracts, activities were carried out for the study of models and backgrounds for an amount of Euro 495 thousand, which constitute an investment in the library for Mondo TV S.p.A.

Transactions with Mondo TV Suisse
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.

Furthermore, three contracts were stipulated for the distribution of the animated series Bug's Rangers by Mondo TV SpA with the acknowledgment to Mondo TV Suisse SA of a Guaranteed Minimum for a total amount of 600 thousand Euro for certain territories, including Italy, Spain, Portugal, Greece, the Middle East, Africa and the Far East for a period of time ranging from 5 to 7 years.
Costs were charged back by the subsidiary relating to the listed status and of Mondo TV S.p.A. for a total amount of Euro 127 thousand.

Transactions with Mondo TV Toys
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.

Transactions with direct and indirect subsidiaries

(Euro thousands)	Loans	Receivables	Payables	Costs	Revenues
Mondo TV France	0	0	479	134	0
Mondo TV Suisse	0	2,121	1,504	127	397

Mondo TV Iberoamerica	5,329	115	40	78	97
Mondo TV Producciones Canarie	0	0	391	0	0
Mondo TV Toys	139	0	0	0	0
TOTAL	**5,468**	**2,236**	**2,414**	**339**	**494**

The table below shows total transactions with directors, related parties and subsidiaries in 2017.

Transactions with Group companies and related parties

(Euro thousands)	Loans	receivables	payables	costs	revenues
Transactions with directors	0	169	37	372	0
Transactions with other related parties	0	0	410	446	0
Transactions with subsidiaries	5,468	2,236	2,414	339	494
Total	**5,468**	**2,405**	**2,861**	**1,157**	**494**

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

The reconciliation of the Parent's equity as at 31 December 2017 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	**12,866**	**77,254**
Individual data of the subsidiaries	274	3,613
Eliminations of the carrying amount of net equity investments	0	(1,373)
Elimination of capitalized intra-group revenues and deferrals	(845)	(1,785)
Attribution of subsidiaries' equity to non-controlling interests	523	(569)
Consolidated Financial Statements	**12,817**	**77,140**

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

With reference to the profit for the year of Euro 12,865,636, it is proposed to allocate Euro 419,072 to legal reserve and to carry forward the remainder.

Rome, 27 March 2018

On behalf of the Board of Directors

Chief Executive Officer
Matteo Corradi

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES AS AT 31 DECEMBER 2017

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of financial position

(Euro thousands)	Notes	31.12.2017	31.12.2016
Non-current assets			
- Intangible rights	*4*	*44,136*	*31,353*
- Other intangible assets	4	*12*	*3*
Intangible assets	4	44,148	31,356
Tangible assets	4	387	303
Deferred tax assets	5	3,036	5,027
Receivables	6	356	277
		47,927	**36,963**
Current assets			
Trade receivables	6	47,931	31,659
Tax assets	5	2,936	4,026
Other assets	7	334	296
Cash and cash equivalents	8	2,408	1,810
		53,609	**37,791**
Total assets		**101,536**	**74,754**
- Share capital		*15,308*	*14,361*
- Share premium		*27,767*	*21,214*
- Legal reserve		*2,642*	*2,642*
- Other reserves		*10,639*	*9,022*
- Retained earnings (losses)		*7,967*	*(383)*
- Profit (loss) for the year		*12,817*	*8,555*
Equity attributable to owners of the Parent		77,140	55,411
Non-controlling interests		569	564
Total equity	9	**77,709**	**55,975**
Non-current liabilities			
Provision for post-employment benefits	10	482	416
Deferred tax liabilities	5	0	223
Financial payables	11	748	580
		1,230	**1,219**
Current liabilities			
Provisions for risks and charges	10	54	79
Trade payables	11	14,952	11,703
Financial payables	11	3,611	2,095
Tax liabilities	5	369	201
Other liabilities	12	3,611	3,482
		22,597	**17,560**
Total liabilities		**23,827**	**18,779**
Total liabilities + equity		**101,536**	**74,754**

CONSOLIDATED SEPARATE INCOME STATEMENT

Income statement for the year ended 31 December 2013			
(Euro thousands)	**Notes**	**31.12.2017**	**31.12.2016**
Revenue from sales and services	16	32,019	27,415
Other income	16	574	630
Capitalisation of internally produced animated series	17	1,405	1,200
Raw materials, consumables and goods	18	(90)	(103)
Personnel costs	19	(3,241)	(2,416)
Amortisation and impairment of intangible assets	20	(6,177)	(5,270)
Depreciation and impairment of tangible assets	20	(129)	(109)
Allowance for doubtful debts	6	(1,190)	(1,308)
Other operating costs	21	(5,607)	(7,332)
EBIT		**17,564**	**12,707**
Financial income	22	576	725
Financial expenses	22	(2,730)	(716)
Profit (loss) of the period before tax		**15,410**	**12,716**
Income tax expense	23	(3,116)	(4,453)
Net profit for the period		**12,294**	**8,263**
Profit (loss) for the year attributable to non-controlling interests		(523)	(292)
Profit (loss) attributable to owners of the Parent		**12,817**	**8,555**
Earnings per share (basic and diluted)	**25**	**0.43**	**0.31**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Statement of comprehensive income		
(Euro thousands)	**31.12.2017**	**31.12.2016**
Net profit (loss) for the year	12,294	8,263
Other profits (losses) recognized in equity	(17)	0
Total net profit	**12,277**	**8,263**
Total profit (loss) attributable to non-controlling interests	(523)	(292)
Total profit (loss) attributable to the Group	**12,800**	**8,555**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in Equity

(Euro thousands)	Share capital	Legal reserve	Retained earnings (losses)	Share premium	Other reserves	Profit (loss) for the year	Attributable to owners of the Parent	Non-controlling interests	Total equity
Consolidated Financial Statements as at 31.12.2015	**13,212**	**2,642**	**(1,007)**	**12,563**	**8,593**	**3,090**	**39,093**	**1,388**	**40,481**
Transactions with shareholders recognised in equity:									
GEM capital increase	613	-	-	4,687	(676)	-	4,624	-	4,624
Atlas capital increase	536			3,964	(705)		3,795		3,795
Dividends to third parties			(849)			(1,106)	(1,955)	(78)	(2,033)
Items of comprehensive income for the year:									
Allocation of profit (loss) for the year 2015	-	-	1,473		511	(1,984)	-	-	-
Disposal of shares of subsidiaries					1,296		1,296	(454)	842
Translation reserve Mondo TV Suisse					2		2		2
Other changes					1		1	-	1
Result for the period	-	-	-	-	-	8,555	8,555	(292)	8,263
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**

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

CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement			
(Euro thousands)	Notes	31.12.2017	31.12.2016
A. OPENING CASH AND CASH EQUIVALENTS		**1,810**	**2,869**
Group profit (loss) of the period		12,817	8,555
Profit (loss) for the year attributable to non-controlling interests		(523)	(292)
Total profit (loss) of the period		12,294	8,263
Depreciation, amortisation and impairment	20	7,496	6,687
Net change in provisions		41	(591)
Cash flow from (used in) operating activities before changes in working capital		**19,831**	**14,359**
(Increase) decrease in trade receivables		(17,541)	(10,675)
(Increase) decrease in inventories		0	0
(Increase) decrease in tax assets		3,081	5,695
(Increase) decrease in other assets		(38)	57
Increase (decrease) in trade payables		3,249	822
Increase (decrease) in tax liabilities		(55)	210
Increase (decrease) in other liabilities		129	1,986
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES		**8,656**	**12,454**
(Acquisition) / Disposal of			
- Intangible assets		(18,969)	(20,477)
- Tangible assets		(213)	(76)
- Financial assets		0	20
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(19,182)**	**(20,533)**
Changes in capital		9,440	9,264
Dividends paid		0	(2,033)
(Increase) decrease in financial receivables and securities		0	184
Increase (decrease) in financial payables		1,878	(243)
Interest paid		(194)	(152)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES		**11,124**	**7,020**
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)		**598**	**(1,059)**
F. CLOSING CASH AND CASH EQUIVALENTS	**8**	**2,408**	**1,810**

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)	**31.12.2017**	**related parties**	**31/12/2016**	**related parties**
Non-current assets				
- Intangible rights	*44,136*		*31,353*	
- Other intangible assets	*12*		*3*	
Intangible assets	44,148		31,356	
Tangible assets	387		303	
Deferred tax assets	3,036		5,027	
Receivables	356		277	
	47,927		**36,963**	
Current assets				
Trade receivables	47,931	168	31,659	307
Tax assets	2,936		4,026	
Other assets	334		296	
Cash and cash equivalents	2,408		1,810	
	53,609		**37,791**	
Total assets	**101,536**		**74,754**	
- Share capital	*15,308*		*14,361*	
- Share premium	*27,767*		*21,214*	
- Legal reserve	*2,642*		*2,642*	
- Other reserves	*10,639*		*9,022*	
- Retained losses	*7,967*		*(383)*	
- Profit (loss) for the year	*12,817*		*8,555*	
Equity attributable to owners of the Parent	77,140		55,411	
Non-controlling interests	569		564	
Total equity	**77,709**		**55,975**	
Non-current liabilities				
Provision for post-employment benefits	482		416	
Deferred tax liabilities	0		223	
Financial payables	748		580	
	1,230		**1,219**	
Current liabilities				
Provisions for risks and charges	54		79	
Trade payables	14,952	448	11,703	278
Financial payables	3,611		2,095	
Tax liabilities	369		201	
Other liabilities	3,611		3,482	
	22,597		**17,560**	
Total liabilities	**23,827**		**18,779**	

Total liabilities + equity	101,536	74,754

Consolidated income statement for the year ended 31 December 2013

(Euro thousands)	2017	of which with related parties	2016	of which with related parties
Revenue from sales and services	32,019		27,415	
Other income	574		630	
Capitalisation of internally produced animated series	1,405		1,200	
Raw materials, consumables and goods	(90)		(103)	
Personnel costs	(3,241)	(98)	(2,416)	(96)
Amortisation and impairment of intangible assets	(6,177)		(5,270)	
Depreciation and impairment of tangible assets	(129)		(109)	
Allowance for doubtful debts	(1,190)		(1,308)	
Other operating costs	(5,607)	(865)	(7,332)	(796)
EBIT	**17,564**		**12,707**	
Finance income	576		725	
Financial expenses	(2,730)		(716)	
Profit (loss) of the period before tax	**15,410**		**12,716**	
Income tax expense	(3,116)		(4,453)	
Net profit for the period	**12,294**		**8,263**	
Profit (loss) for the year attributable to non-controlling interests	(523)		(292)	
Profit (loss) attributable to owners of the Parent	**12,817**		**8,555**	

Consolidated statement of cash flows with related parties

(Euro thousands)	2017	related parties	2016	related parties
A. OPENING CASH AND CASH EQUIVALENTS	1,810		2,869	
Group profit (loss) of the period	12,817	-	8,555	-
Profit (loss) for the year attributable to non-controlling interests	(523)	-	(292)	-
Total profit (loss) of the period	12,294	-	8,263	-
Depreciation, amortisation and impairment	7,496	-	6,687	-
Net change in provisions	41	-	(591)	-
Cash flow from (used in) operating activities before changes in working capital	19,831		14,359	
(Increase) decrease in trade receivables	(17,541)	139	(10,675)	(136)
(Increase) decrease in tax assets	3,081	-	5,695	-

(Increase) decrease in other assets	(38)	-	57	-
Increase (decrease) in trade payables	3,249	170	822	52
Increase (decrease) in tax liabilities	(55)	-	210	-
Income tax expense	0	-	0	-
Increase (decrease) in other liabilities	129	-	1,986	-
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	8,656		12,454	
(Acquisition) / Disposal of				
- Intangible assets	(18,969)	-	(20,477)	-
- Tangible assets	(213)	-	(76)	-
- Financial assets	0	-	20	-
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(19,182)		(20,533)	
Changes in capital	9,440	-	9,264	-
Dividends paid	0		(2,033)	
(Increase) decrease in financial receivables and securities	0	-	184	-
Increase (decrease) in financial payables	1,878	-	(243)	-
Interest paid	(194)	-	(152)	-
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	11,124		7,020	
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	598		(1,059)	
F. CLOSING CASH AND CASH EQUIVALENTS	2,408		1,810	

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 Office of the Register of Companies in Rome, 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.).

At the close of the Stock Market of 26 March 2018, the price of the Parent Company’s shares stood at Euro 5.03, equivalent to a capitalization of Euro 154 million. In the last 12 months, the value of the stock has increased by about 16%.

These Financial Statements were approved by the Board of Directors’ meeting of 27 March 2018 which authorised their publication on that same date and convened the General Meeting for relevant approval on 30 April 2018 (single call). The Financial Statements are subject to audit by BDO Italia S.p.A.

The Consolidated Financial Statements (the “Financial Statements”) of the Mondo TV Group (hereafter also the “Group”) have been prepared on a going concern basis, as the Directors of the Parent have verified that no significant financial, operating or other indicators of issues concerning the Group’s ability to meet its obligations in the foreseeable future, and in particular within the 12 months from the end of the reporting period, exist. How the Company manages financial risks, including liquidity risk and capital risk, is described in the paragraph “Financial Risk Management”.

The main activities of the Group’s companies and subsidiaries are described in the Management Commentary. 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 2017 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 separate income statement, the consolidated comprehensive income statement, the consolidated statement of financial position, the consolidated cash flow statement, statement of changes in consolidated shareholders’ 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 2016. As from 1 January 2017, certain amendments were applied to international accounting standards. 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 IAS 39 requires or, limited to financial assets, allows measurement at fair value.

The consolidated statement of financial position, 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 2016.

FORMAT OF FINANCIAL STATEMENTS

As regards the format adopted for 2013, 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 2017 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.

Consolidated Separate Income Statement
Items in the Income statement for the year 2017 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 Statement of cash flows was prepared using the indirect method.

Consolidated Statement of Changes in Shareholders' 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 2017 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 2017, use has been made of the Financial Statements as at 31 December 2017 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 recognized, 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 December 31, 2016 the percentages of participation in the World TV France, in the Mondo TV Iberoamerica and in the 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 2017 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 POLICIES 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 amortized 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 amortization 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. 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

The fair value of trade receivables does not diverge from the carrying amounts as at 31 December 2017 since it mainly refers to assets underlying commercial dealings which are expected to be settled in the short term.
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.
Impairment losses on receivables are recorded when there is objective evidence that the Group companies will not be able to recover the receivable due from the counterparty based on the contract obligations. The objective evidence includes events such as:

a) significant financial difficulty of the obligor;
b) litigation against the obligor in relation to receivables;
c) likelihood that the borrower will declare bankruptcy or other financial reorganisation.

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.
Impairments, which are based on the most recent information available and on the directors' best estimates, are performed in such a way that assets subject to impairment are reduced as to be equal to the discounted value of cash flows expected in the future. 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 2017 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 severance pay provision (TFR).

Recognition of revenue and income

Revenue from sales and services is recognised when the actual transfer of the relevant risks and benefits of ownership or arising from the rendering of services take place. In the case of rights, the risks and benefits are understood to be transferred upon delivery of media, in light of the contractual provisions.
Revenues related to production are recorded upon achievement of certain contractual phases and are generally dependent on the delivery of materials or the recognition of the state of progress on the part of the client.
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 2016 have been applied, except as outlined below.

New standards and interpretations endorsed by the EU and in force from the Financial Statements at 31 December 2017

In accordance with IAS 8 (Accounting standards, changes in accounting estimates and errors), the IFRS effective from the Financial Statements at 31 December 2017 are indicated and briefly illustrated below:

- **Amendments to IAS 12 (Income Taxes) - Recognition of deferred tax assets on unrealized losses**
  On 6 November 2017 the EU Regulation no. 2017/1989 which implemented at EU level some amendments to IAS 12 (Income Taxes) to clarify the recognition of deferred tax assets on unrealized losses relating to debt instruments measured at fair value.

  The adoption of said amendments had no impact on the Consolidated Financial Statements of the Group as at 31
  December 2017.

- **Amendments to IAS 7 (Cash Flow Statement) - Disclosure Initiative**
  On 6 November 2017, EU Regulation no. 2017/1990 was issued, which endorsed some amendments to IAS 7 (Cash Flow Statement) at EU level. These amendments are intended to provide supplementary information to users of the financial statements to assess the variations (cash flows and non-cash flows) of liabilities deriving from financing activities, highlighting the reconciliation between the opening and closing balance of these liabilities:
  - changes from cash flows from loans;
  - the changes deriving from the acquisition or loss of control of companies or business units;
  - the effect of changes in exchange rates;
  - changes in fair value; and
  - other changes.

  The adoption of said amendments had no significant impact on the Consolidated Financial Statements of the Group at 31 December 2017.

New standards and interpretations issued by the IASB and approved but not yet applicable

At the date of preparation of these Consolidated Financial Statements, the following new Standards/Interpretations have been issued by the IASB
but have not yet entered into force:

New Standards/Interpretations endorsed by the EU	Obligatory application starting from
IFRS 15 (Revenues from contracts with customers)	1/1/2018
Clarifications to IFRS 15 (Revenues from contracts with customers)	1/1/2018
IFRS 9 (Financial Instruments)	1/1/2018
IFRS 16 (Leasing)	1/1/2019
Improvements to IFRS (Cycle 2014-2016) - Amendments to IAS 28	1/1/2018
Amendments to IFRS 2 (Classification and measurement of share-based payments)	1/1/2018

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 will replace the standards that currently govern 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).
IFRS 15 applies retrospectively as of 1st January 2018.

The Group launched an analysis in 2017 of the possible impacts deriving from the application of the new accounting principle on the methods for recording its revenues, of which the economic and equity effects are estimated to be not significant.

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 and derecognition of financial assets and liabilities, impairment of financial instruments and the accounting of hedging transactions.
IFRS 9 applies as of 1st January 2018.
Starting from the end of 2017, the Group has begun to analyze the potential effects deriving from the application of the new contractual principle on financial instruments and at present no significant impacts are expected from its application.

IFRS 16 (Leasing)
On 31 October 2017, EU Regulation no. 2017/1986 was issued, which endorsed IFRS 16 (Leasing) at EU level. 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).
For all passive lease contracts that respect the requirements of the new standard (without distinguishing between operating leases and financial leases), IFRS 16 envisages the recognition in the statement of financial position of a liability, represented by the present value of future fees, in the face of the recognition in the asset of the “right to use the leased asset”.
IFRS 16 applies retrospectively as of 1st January 2019.
The Group will soon launch an analysis of the potential effects deriving from the application of the new standard with a careful review of all the leasing contracts in place on the Parent Company and on the subsidiaries.

Accounting standards and interpretations issued by the IASB/IFRIC and not yet approved by the European Commission

New Standards/Interpretations not yet endorsed by the EU

	Obligatory application starting from
IFRIC 22 (Foreign currency transactions with pre-payment / advance payment received)	1/1/2018
Amendment to IAS 40 (Property Investments)	1/1/2018
IFRIC 23 (Uncertainty on the treatment of income taxes)	1/1/2019
Amendments to IFRS 9: items with advance payment and with negative indemnity	1/1/2019
Amendments to IAS 28: Long-term interest in Investments in associates and joint ventures	1/1/2019
Improvements to IFRS (Cycle 2015–2017)	1/1/2019
Amendments to IAS 19: modification, reduction or extinction of a Plan	1/1/2019
IFRS 17: Insurance contracts	1/1/2021

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 2017 and for 2016, 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)	2017		2016		Difference	
Geographical areas	**values**	**%**	**values**	**%**	**values**	**%**
Italy	3,180	10%	2,695	10%	485	18%
Europe	2,053	6%	2,087	7%	(34)	(2%)
Asia	27,124	83%	22,465	80%	4,659	21%
Americas	232	1%	798	3%	(566)	(71%)
Africa	4	0%	0	0%	4	
Total revenue	**32,593**	**100%**	**28,045**	**100%**	**4,548**	**16%**

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

Breakdown of the library by geographical area

(Euro thousands)	2017		2016		Difference	
Geographical areas	**values**	**%**	**values**	**%**	**values**	**%**
Italy	35,874	81%	26,541	60%	9,333	35%
France	905	2%	719	2%	186	26%
Spain	7,070	16%	3,670	8%	3,400	93%
Switzerland	287	1%	422	1%	(135)	(32%)
Total Library	**44,136**	**100%**	**31,352**	**100%**	**12,784**	**41%**

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**
Year 2015				
Cost as at 31/12/2015	152,825	4,269	1,213	158,307
Amortisation and impairment as at 31/12/2015	(140,978)		(1,180)	(142,158)
Net value 31/12/2015	**11,847**	**4,269**	**33**	**16,149**
Year 2016				
Increases in the period	12,330	8,138	9	20,477
Amortisation and impairment in the period	(5,231)	0	(39)	(5,270)
Cost as at 31/12/2016	165,155	12,407	1,222	178,784
Amortisation and impairment as at 31/12/2016	(146,209)	0	(1,219)	(147,428)
Net value 31/12/2016	**18,946**	**12,407**	**3**	**31,356**
Year 2017				
Increases in the period	18,959	0	10	18,969
Amortisation and impairment in the period	(6,176)	0	(1)	(6,177)
Cost as at 31/12/2017	184,114	12,407	1,232	197,753
Amortisation and impairment as at 31/12/2017	(152,385)	0	(1,220)	(153,605)
Net value 31/12/2017	**31,729**	**12,407**	**12**	**44,148**

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.

Increases in the period
The most significant investments regard the production of the animated series Sissi, The Rowly Powlys, Invention Story, Partidei, Beastkeepers, Final Fight, Naraka and Robot Trains by the Parent Company and the live teen Heidi series by the subsidiary Mondo TV Iberoamerica.

Amortisation and impairment in the period
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
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.

In 2017, the Group operated in an economic context of slight growth, both in Italy and in much of Europe.
There is always a high selection of purchases, in which the purchase of products with potential licensing is increasingly privileged, capable of attracting investments also from producers of toys and companies operating in the licensing sector.
The Group has also demonstrated significant commercial strength in the countries that now have significant growth rates, such as China and Taiwan.

In addition, on 31 December 2017, the Directors of the Parent Mondo TV S.p.A. subjected intangible rights to impairment tests pursuant to IAS 36 in order to account for any additional impairment losses. The test was conducted by comparing the book value 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.
The resulting cash flows are discounted using a discounting rate (WACC) determined by applying the Capital Asset Pricing Model of 8.20%.

Consistently with the previous years, based on the Company's specific experience and the well-established practice in the sector, the cash flow has been calculated over a ten-year period (2018-2027) in light of the following aspects:

- the company retains full ownership of most of the library consisting of series for an unlimited period of time;
- the Company considers the period of economic life of rights to last for ten years (the Library's value becomes equals zero on the tenth year after the title's release).

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.

The impairment test did not reveal any significant impairment losses.

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

Changes in tangible assets

(Euro thousands)	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**TOTAL**
Year 2015				
Cost as at 31/12/2015	2,385	1,241	812	4,438
Amortisation and impairment as at 31/12/2015	(2,246)	(1,165)	(691)	(4,102)
Net value 31/12/2015	**139**	**76**	**121**	**336**
FY 2016				
Increases in the period	5	0	71	76
Amortisation and impairment in the period	(32)	(30)	(47)	(109)
Cost as at 31/12/2016	2,390	1,241	883	4,514
Depreciation and impairment as at 31.12.2016	(2,278)	(1,195)	(738)	(4,211)
Net value 31/12/2016	**112**	**46**	**145**	**303**
FY 2017				
Increases in the period	9	142	62	213
Amortisation and impairment in the period	(35)	(45)	(49)	(129)
Cost as at 31/12/2017	2,399	1,383	945	4,727
Depreciation and impairment as at 31.12.2017	(2,313)	(1,240)	(787)	(4,340)
Net value 31/12/2017	**86**	**143**	**158**	**387**

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.

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)	**31.12.2017**	**31.12.2016**	**Change**
Accumulated losses and other temporary differences	3,036	5,027	(1,991)
Total assets	**3,036**	**5,027**	**(1,991)**
Other temporary differences	0	(223)	223
Total liabilities	**0**	**(223)**	**223**
Net deferred tax assets	**3,036**	**4,804**	**(1,768)**

Changes in deferred tax assets and liabilities				
(Euro thousands)	**31.12.2016**	**Increase**	**Decrease**	**31.12.2017**
Assets	5,027	416	(2,407)	3,036
Liabilities	(223)	0	223	0
Net deferred tax assets	**4,804**	**416**	**(2,184)**	**3,036**

In 2017, deferred tax assets decreased by Euro 2,407 thousand for uses (mainly those allocated on previous tax losses and allowance for doubtful debts).
New deferred tax assets mainly arising from temporary differences amounting to Euro 416 thousand were recognised.

Deferred tax liabilities were entirely reversed during the year.

The recoverability of deferred tax assets recognised in the financial statements in the next ten years is related to the actual achievement of the objectives set in the 2018-2022 Plan, approved by the Parent's Board of Directors on 30 November 2017, characterised by the uncertainties typical of a forecast Business Plan.

Breakdown of current tax assets and liabilities			
(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
IRES (Corporate Income Tax)	604	363	241
IRAP (Regional Business Tax)	631	339	292
Tax assets	1,700	3,325	(1,625)
Other receivables	1	0	1
Total tax assets	**2,936**	**4,027**	**(1,091)**
Income taxes due abroad	369	201	168
Total tax liabilities	**369**	**201**	**168**

The item Ires and Irap, attributable to the Parent Company, consists of the tax advances paid for the year 2017 and the IRES receivable deriving from the 2017 Unico declaration.

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 decrease is 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)	**31.12.2017**	**31.12.2016**	**Change**
Financial receivables due from third parties	162	162	0
Other receivables	194	115	79
TOTAL	**356**	**277**	**79**

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

Breakdown of trade and other receivables

(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
Due from customers for invoices issued	45,208	26,750	18,458
Due from customers for invoices to be issued	2,988	4,511	(1,523)
Due from tax authorities for tax other than income tax	976	1,233	(257)
Other receivables	3,188	2,691	497
Allowance for doubtful debts	(4,429)	(3,526)	(903)
TOTAL	**47,931**	**31,659**	**16,272**

The relevant increase in receivables, and in particular those for invoices issued, is due to that of revenues from sales.
Receivables due from customers for invoices to be issued refer to contracts which do not satisfy the conditions for issuing invoices yet, although part of the revenue for the year has been earned. Part of the invoices were issued in the early months of 2018.

Receivables due from tax revenue relating to tax other than income tax are broken down in the table below:

Breakdown of tax assets relating to tax other than income tax

(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
Italian VAT receivables	571	269	302
Other tax assets	405	964	(559)
TOTAL	**976**	**1,233**	**(257)**

Receivables due from others can be broken down as follows:

Breakdown of receivables due from others			
(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
Due from suppliers for advances	5	5	0
Coproduction in progress	2,766	1,612	1,154
Other receivables	417	1,074	(657)
TOTAL	**3,188**	**2,691**	**497**

Euro 2,766 thousand of receivables due from customers for coproductions in progress represent the disbursements made as advance for the acquisition of services required to fulfil the obligations vis-à-vis the coproducers (the most significant ones refer to the series "*Nori, Majid, Karamella e Kasslan*"). Upon completion of production, these advances will offset revenue from customers for progress in productions (revenue totalled Euro 433 thousand on 31 December 2017 and is recognised under current payables).

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		
	31.12.2017	**31.12.2016**
Opening allowance for doubtful debts	**3,526**	**5,907**
Allowance for the period	1,190	1,308
Used in the year	(287)	(3,689)
Closing allowance for doubtful debts	**4,429**	**3,526**

Allocations for the year, amounting to Euro 1,190 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 non fulfilling their obligations for invoices issued and to be issued. Uses in the period refer to allocations in previous years against credit positions which, on the basis of careful analysis, are no longer considered collectable or for which the related obligations are required.

7 OTHER ASSETS

The item under review, equal to Euro 334 thousand (Euro 296 thousand as at 31 December 2016), mainly includes costs pertaining to future years.

8 CASH AND CASH EQUIVALENTS

The item's breakdown is shown in the table below.

Breakdown of cash and cash equivalents			
Description	**31.12.2017**	**31.12.2016**	**Change**
Bank and postal deposits	2,405	1,809	596
Cash and other cash assets	3	1	2
Total	**2,408**	**1,810**	**598**

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 Management Report.

9 EQUITY

The share capital at 31 December 2017 was equal to Euro 15,307,776.50 and consisted of 30,615,553 ordinary shares with a nominal value of Euro 0.50.

The number of outstanding shares increased by 1,893,090 shares in the year due to the extraordinary finance transaction with Atlas Alpha Yield Fund and Atlas Capital Markets (see paragraph *"Significant events 2017")*, as shown below.

On 27 February, Mondo TV, in order to finance its investment program, with a strong growth over previous years, 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.

It is recalled that the Atlas Contract provides for the Company's right to request the subscription of the Bond in four tranches: the subject of the request of 27 February 2017 was two tranches (the second and third, the first tranche of 18 bonds for a countervalue a total of 4,500,000 euros was recalled and converted in the previous year) of 12 and 18 bonds, respectively, for a total countervalue of 7,500,000 euros; these bonds were fully converted into shares during 2017.

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)	**31.12.2017**	**31.12.2016**
- Share premium	27,767	21,214
- Legal reserve	2,642	2,642
- Other reserves	10,639	9,022

- Retained earnings (accumulated losses)	7,967	(383)
- Profit (loss) for the year	12,817	8,555
TOTAL	**61,832**	**41,050**

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 2016 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)	**31.12.2017**	**31.12.2016**	**Change**
Provision for post-employment benefits	**482**	**416**	**66**
Provision for tax risks and charges	52	77	(25)
Other provisions	2	2	0
PROVISION FOR RISKS AND CHARGES	**54**	**79**	**(25)**
beyond 12 months	0	0	0
within 12 months	54	79	(25)
TOTAL PROVISION FOR RISKS AND CHARGES	**54**	**79**	**(25)**

Changes in Post-employment benefits and Provisions for risks and charges				
(Euro thousands)	**31.12.2016**	**allocations**	**uses**	**31.12.2017**
Provision for post-employment benefits	416	86	(20)	482
Provision for tax risks and charges	77	0	(25)	52
Other provisions	2	0	0	2
TOTAL	**495**	**86**	**(45)**	**536**
beyond 12 months	416			482
within 12 months	79			54
TOTAL	**495**			**536**

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

As regards the dispute against Clan Celentano S.r.l., on 17/5/2017, the Court of Milan, in collegial composition, closed the first-instance of the judgement against Clan Celentano S.r.l. with a sentence that rejected the claim made by Mondo TV against the counterparty.
The rejection of the claim of Mondo TV is accompanied by the partial acceptance of the claims made by Clan Celentano against Mondo TV; in particular, against a claim that can be quantified for approximately Euro 14 million, Mondo TV was sentenced to pay to Clan Celentano S.r.l. the sum of Euro 750 thousand plus interest and monetary revaluation (plus ancillary expenses such as legal fees).

The entire expense of the sentence ruled by the Court of Milan has been included in this financial report and the related payment was settled at the reporting date.

The second dispute was against Pegasus Distribuzione S.r.l., which requested the condemnation of the company, to pay a total amount of Euro 463 thousand for reimbursement of costs incurred for the purchase of products in relation to two sale contracts, and reimbursement of the missed quantifiable gain from a minimum of Euro 101 thousand to a maximum of Euro 169 thousand, in addition to damage to image. With the first-instance ruling on 21 January 2010, the Court of Rome rejected the petition of Pegasus Distribuzione, which challenged the aforementioned ruling.
The appeal sentence of 21 June 2017 definitively rejected the request of Pegasus Distribuzione S.r.l., and ordered it to pay the costs of the proceedings.

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)	**31.12.2017**	**31.12.2016**	**Change**
Payables due to banks	418	580	(162)
Payables for convertible bonds	330	0	330
Total	**748**	**580**	**168**

The payables for convertible bonds are attributable to Mondo TV Iberoamerica for 280 thousand euros and to Mondo TV France SA for 50 thousand euros; the entire amount was fully converted into shares during the first quarter of 2018.

In particular:

- On 31 July 2017, the Shareholders' Meeting of the subsidiary Mondo TV France S.A. approved the issue of a convertible bond in several tranches in favour of Atlas Capital for a total amount of Euro 2.5 million. At 31 December 2017, the first and second tranches of the bond had been disbursed for a total counter-value of Euro 500,000, of which 450,000 converted into shares in 2017 and Euro 50,000 converted in January 2018.

- On 29 August 2017, the Shareholders' Meeting of the subsidiary Mondo TV Iberoamerica S.A. approved the issue of convertible bonds in several tranches in favour of Atlas Capital for a total amount of Euro 5.4 million. At 31 December 2017, the first and second tranches of the bond were called for a counter-value of Euro 400,000, of which 120,000 converted into shares in 2017 and 280,000 converted in the first quarter of 2018.

Breakdown of trade payables

(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
Due to suppliers	11,649	9,059	2,590
Due to tax authorities for tax other than income tax	284	260	24

Other payables	3,019	2,384	635
Total trade payables	**14,952**	**11,703**	**3,249**

Payables due to suppliers mainly refer to the provision of services necessary to sell film rights, as well as to the activities performed by consultants to the benefit of the Group during 2017.

Breakdown of tax liabilities relating to tax other than income tax

(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
VAT payables	13	19	(6)
Payables for withholding tax on third-party remuneration	271	241	30
Other tax liabilities	0	0	0
Total liabilities due to tax authorities for tax other than income tax	**284**	**260**	**24**

Breakdown of other payables

(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
Payables for wages, salaries and fees	481	201	280
Due to social security institutions	382	347	35
Advances from customers	1,637	150	1,487
Advances from coproducers	433	1,558	(1,125)
Other payables	86	128	(42)
Total other payables	**3,019**	**2,384**	**635**

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. 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 current financial payables

(Euro thousands)	**31.12.2017**	**31.12.2016**	**Change**
Due to banks for leases	96	0	96
Bank overdrafts	3,515	2,095	1,420
Total	**3,611**	**2,095**	**1,516**

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 2017 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	**-**	**-**	**748**	**-**	**748**
Payables for convertible bonds	-	-	330	-	330
Medium/long-term financial payables due to banks	-	-	418	-	418
Current financial payables net of cash	**1,203**	**-**	**-**	**-**	**1,203**
Short-term financial payables due to third parties	1,203	-	-	-	1,203
Trade and other payables	**-**	**14,519**	**-**	**-**	**14,519**
Total as at 31 December 2017	**1,203**	**14,519**	**748**	**-**	**16,470**

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 3,611 thousand as at 31 December 2017 compared to Euro 3,482 thousand as at 31 December 2016.

13 TAX POSITION

The Mondo TV Group companies are not involved in litigation and tax disputes, except as follows in relation to the Parent Mondo TV S.p.A.

The tax periods for which Parent is still liable to audit by tax authorities are those from 2013 onward as concerns direct taxes and VAT.

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

In relation to 2010, the company received two assessment notices 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 provincial tax department of Rome fully accepted the appeal filed by the Company against the assessment notices related to 2010; thus, the Company's first-instance judgement has been concluded positively.
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 annual financial report as at 31 December 2016 in relation to the above position. In light of the foregoing, there are no direct effects in the financial statements of the sentence of the Provincial Tax Commission mentioned.

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.

- 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 submitted a request for recalculation for deduction of losses and reduction of sanctions.

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 judgement of specially appointed consultants deem scarcely likely that the company may lose in this dispute, the residual value of around Euro 4.7 million and therefore, consistent with the assessments made in the annual financial report as at 31 December 2016, no provision was made in the financial report as at 31 December 2017.

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 issued by Confartigianato Fidi in favour of Veneto Banca for a short-term credit line to be used as a self-liquidating loan;
- a guarantee of Euro 162 thousand issued by Banca Popolare dell'Emilia Romagna in favour of SIMEST.

16 REVENUES FROM SALES AND OTHER OPERATING REVENUES

Revenue from sales and services			
(Euro thousands)	2017	2016	Change
Revenue from sales of rights	10,115	14,617	(4,502)
Revenue from licensing	16,149	5,257	10,892
Revenue from production services	5,739	7,525	(1,786)
Other income	16	16	0
Total	**32,019**	**27,415**	**4,604**

Revenues from sales and services rose from Euro 27,415 thousand in 2016 to Euro 32,019 thousand in 2017; the significant increase in revenues, equal to Euro 4,604 thousand, was determined by the exploitation of the licensing rights of the new series produced, which went from Euro 5,257 thousand in 2016 to Euro 16,149 thousand in 2017, with an increase of Euro 10,892 thousand. EUR.
Instead, there was a decrease in revenues from TV rights (which benefited in 2016 from the sale of the old library in China) and revenues for production services.
Other revenues amounted to Euro 574 thousand (Euro 630 thousand at 31 December 2016).

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 mainly concerns the capitalisation of the costs incurred by the Parent Company in relation to the production of its animated series and, secondarily, by the subsidiary Mondo TV France.
The capitalised costs consist of approximately Euro 1,008 thousand in labour costs and of approximately Euro 396 thousand in operating costs due to third parties.

18 RAW MATERIALS, CONSUMABLES AND GOODS

This item, equal to Euro 90 thousand (Euro 103 thousand in 2016), 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)	**2017**	**2016**	**Change**
Salaries and wages	2,488	1,893	595
Social security costs	667	447	220
Post-employment benefits	86	76	10
Total	**3,241**	**2,416**	**825**

The increase in the cost of employees is attributable to that of the Group's workforce as follows broken down by category:

Group's human resources (average figure)		
	31.12.2017	**31.12.2016**
White-collar workers	34	30
Middle-managers	3	2
Executives	4	4
Total	**41**	**36**

20 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the item is shown below:

Breakdown of depreciation, amortisation and impairment			
(Euro thousands)	**2017**	**2016**	**Change**
Proprietary rights	5,084	2,320	2,764
Temporary licenses	1,092	2,911	(1,819)
Other intangible assets	1	39	(38)
Amortisation of intangible assets	***6,177***	***5,270***	***907***
Depreciation of property, plant and equipment	***129***	***109***	***20***
Allowance for doubtful debts	***1,190***	***1,308***	***(118)***

Total depreciation, amortisation and impairment	7,496	6,687	809

For further details and information, reference is made to the related section of the balance of these notes.

21 OTHER OPERATING COSTS

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

Other operating costs			
(Euro thousands)	**2017**	**2016**	**Change**
Production costs	262	1,882	(1,620)
Marketing and commercialisation costs	904	764	140
Consulting services	403	1,027	(624)
Remuneration to corporate bodies	550	556	(6)
Other services	1,823	2,250	(427)
Service costs	**3,942**	**6,479**	**(2,537)**
Equipment hire and rents	557	557	0
Costs associated with leased assets	**557**	**557**	**0**
Sundry operating costs	**1,108**	**246**	**862**
Allocated	**0**	**50**	**(50)**
Total	**5,607**	**7,332**	**(1,725)**

Lower operating costs (5,607 thousand euros at 31 December 2017 compared to 7,332 thousand euros at 31 December 2016) are attributable to lower production costs (1,620 thousand euros) due to the lower volume of production of the subsidiaries Mondo TV France and Mondo TV Suisse, as well as lower costs for consulting and other services. The significant increase in other operating expenses is attributable almost entirely to the recognition of the charge deriving from the decision of the Court of Milan in relation to the dispute with Clan Celentano Srl (Euro 750 thousand).

22 FINANCE INCOME AND COSTS

The table below provides a breakdown of finance income and costs.

Financial income and expenses			
(Euro thousands)	**2017**	**2016**	**Change**
Finance income			
Other finance income	10	41	(31)
sub total finance income	***10***	***41***	***(31)***
Financial expenses			
Bank interest	(194)	(152)	(42)
Bank fees	(52)	(96)	44
Other financial expenses	(192)	(32)	(160)
sub total financial expenses	***(438)***	***(280)***	***(158)***

exchange rate gains and losses			
Exchange rate gains	565	684	(119)
Exchange rate losses	(2,291)	(416)	(1,875)
sub total exchange rate gains and losses	***(1,726)***	***268***	***(1,994)***
imp/reval investments	*0*	*(20)*	20
TOTAL	**(2,154)**	**9**	**(2,163)**

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 table below.

Breakdown of taxes

(Euro thousands)	**2017**	**2016**	**Change**
Previous years' taxes	**3**	**(163)**	**166**
Current taxes	**(1,351)**	**(3,573)**	**2,222**
Prepaid taxes of previous years recognised in profit or loss	(2,406)	(1,109)	(1,297)
Deferred tax liabilities of previous years recognised in profit or loss	222	0	222
Deferred tax assets for the year	416	474	(58)
Deferred tax liabilities for the year	0	(82)	82
Prepaid (deferred) taxes	**(1,768)**	**(717)**	**(1,051)**
Taxes for the year	**(3,116)**	**(4,453)**	1,337
IRES (Corporate Income Tax)	(2,203)	(3,655)	1,452
IRAP (Regional Business Tax)	(654)	(646)	(8)
Taxes foreign subsidiaries	(259)	(152)	(107)
Taxes for the year	**(3,116)**	**(4,453)**	**1,337**

The table below shows the reconciliation between the Group's theoretical and effective tax rate:

Reconciliation of taxes

(Euro thousands)	**2017**	**2016**
Pre-tax income	15,410	12,716
IRES (Corporate Income Tax) at the current rate	(3,698)	(3,560)

Tax effect of permanent differences for IRES (Corporate Income Tax)	1,571	358
Adjustments to net deferred tax assets for IRES (Corporate Income Tax)	0	(290)
Foreign taxation effect	(76)	0
IRES (Corporate Income Tax)	**(2,203)**	**(3,492)**
IRAP (Regional Business Tax)	**(654)**	**(646)**
Foreign taxes	**(259)**	**(152)**
adjustment of prior year taxes	**0**	**(163)**
Total income tax expense for the year	**(3,116)**	**(4,453)**

24 DIVIDENDS

No dividend was resolved or distributed in 2017.

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	**2017**	**2016**
Average number of shares during the year	29,786,110	27,499,428
Profit (loss) for the year (in thousands of Euro)	12,817	8,555
Basic and diluted earnings (loss) per share	**0.43**	**0.31**

The diluted earnings (loss) per share as at 31 December 2017 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.
Already in previous years, the Group Companies adopted appropriate procedures, such as the verification of debtors' solvency, to minimise the exposure to this risk.
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
The positions for which a risk of partial or total non-collectability is noted, are subject to individual impairment.

At 31 December 2017, trade receivables of the Group amounted to Euro 48,196 thousand, Euro 10,850 thousand of which past due by more than 12 months. An allowance for doubtful debts of Euro 4,429 thousand was recognised in relation to these receivables.
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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 2017:

	CREDIT LINES - MONDO TV GROUP - 31.12.2017			
(Amounts in Euro millions)	**Cash**	**Trade**	**Loans**	**Total**
UBS	0	1	0	**1**
Credit Suisse	0	0.25	0	**0.25**
Unicredit	0	0	0.26	**0.26**
BNL	0	0	0.2	**0.2**
CREDEM	0	0.4	0	**0.4**
CREDEM FACTORING	0	1	0	**1**
SIMEST	0	0	0.2	**0.2**
Veneto Banca	0	0	0.39	**0.39**
Total	**0**	**2.65**	**1.05**	**3.7**

At 31 December 2017, with respect to the credit lines mentioned above, there are some past due positions for which negotiations are still ongoing with financial institutions to reach a renegotiation.

It should be noted that in recent years, the Parent Company and some of its subsidiaries, in order to finance the significant investments made and to minimize the liquidity risk, have resorted to extraordinary financial transactions through the issue of convertible bonds.

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.

As at 31 December 2017, the Group had net assets denominated in US dollars totalling USD 11,135 thousand; if the Euro/Dollar exchange rate as at 31 December 2017 had been 10% lower, foreign currency gains of Euro 928 thousand would have been recorded, while if the exchange rate had been 10% higher, a foreign currency loss of Euro 928 thousand would have been recorded.

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 loans are at floating rates, in particular the Euribor plus a variable spread from 2.5% as regards Mondo France S.A. and up to Euribor +7% for some of the Parent's marginal lines.
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. and in the development of its products.
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)	**31.12.2017**	**31.12.2016**	**Change**
Cash and cash equivalents	2,408	1,810	598
Current financial payables due to banks	(3,611)	(2,095)	(1,516)

Net current financial position	**(1,203)**	**(285)**	**(918)**
Payables for convertible bonds	(330)	0	(330)
Non-current payables due to banks	(418)	(580)	162
Net non-current financial position	**(748)**	**(580)**	**(168)**
Net financial debt as per comm. Consob DEM/6064293	**(1,951)**	**(865)**	**(1,086)**
Non-current financial receivables from third parties	162	162	0
Consolidated net financial position	**(1,789)**	**(703)**	**(1,086)**

27 REMUNERATION TO CORPORATE BODIES

During the year ended 31 December 2017, the Parent's Board of Directors earned remuneration net of social security costs of Euro 276 thousand as resolved by the Company's Ordinary General Meeting on 30 April 2015 and by the Board of Directors' meeting of 01 October 2015. Remuneration is broken down as follows:

(Euro thousands)	**31.12.2017**	**31.12.2016**
Remuneration	276	257
Post-employment benefits	-	-
Other long-term benefits	-	-
Indemnities for the termination of employment	-	-
Stock options	-	-
TOTAL	**276**	**257**

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	Orlando	Chairman of Mondo TV S.p.A.	80
Corradi	Monica	Board Member of Mondo TV S.p.A.	86
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
Figliuzzi	Francesco	Board Member of Mondo TV S.p.A.	18
Marchetti	Carlo*	Director of Mondo TV S.p.A., Mondo TV France and Mondo TV Iberoamerica	120
Martinelli	Marina	Board Member of Mondo TV S.p.A.	13
		Total Directors	**517**

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	Auditor of Mondo TV	10
		Total Statutory Auditors	**35**
		Total Directors and Statutory Auditors	**552**

* Including 98 thousand euros as executive compensation, 12 thousand euros as director of Mondo TV, and 10 thousand euros as adviser to Mondo TV France SA.

In addition, the Chairman of the Board of Directors of the Parent Company was paid a fee for the set design and direction of the series *"The Rowly Powlys"* and *"Sissi"* for a total amount of 200 thousand Euro (amount entered under fixed assets) intangible).

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 2016 are provided below. The amounts relating to the activities performed for 2016 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.

Type of service	Service provider	Recipient	2017 Fees
Audit	BDO Italia	Parent Company	55
Audit	BDO Italia	Subsidiaries	26
Audit	BDO Auditores S.L.P. (*)	Subsidiaries	46
Total			**127**

(*) 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 2017 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 Law on Finance (TUF, Testo Unico sulla Finanza) – Requirements pursuant to article 114, paragraph 5, of Italian 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 2017 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.

The following is outlined.

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.

At the date of this report, bonds have already been converted for a total amount of Euro 2 million.

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 agreement concerns the start and completion of a study phase on the feasibility of the project by September 2019; it is emphasized that the agreement does not in any way bind the parties to proceed after the realization of the park, since the same have not made any commitment, even conditional, in this regard.

The study will focus on the verification and technical, financial and legal analysis of the possible construction plan, as well as the development of a business plan to support the analysis on the possible economic sustainability and profitability of the project.

The project under study foresees that the park will be realized in the urban area of Zhengzhou, capital of the province of Henan, the most populous Chinese province that is currently in a phase of strong economic expansion.

Based on a preliminary illustrative plan developed by Henan York, the initial investment for the realization of the park could amount to around Euro 250 million. Therefore, the study phase will also have to verify the possibility of access to forms of financing for the parties, and the search for possible additional partners, industrial and financial, for the subsequent possible start of the project.

During the study phase, of particular importance will be the technical and legal verifications for the structuring of the operation.

Finally, the parties will use the study period for the development of a detailed business plan that analyzes the key elements for the eventual success of the operation, the risk factors, the growth assumptions with a view to long-term sustainability and the return on investment forecast.

For completeness of information, it is noted that based on a preliminary illustrative plan made by the partner Henan York, the park is expected to generate an annual turnover, starting from its completion and start-up, estimated for 2023, in case of outcome positive of the feasibility study, of around Euro 100 million with a net profit of Euro 14 million. This figure, as well as the amount of the investment requested, will be verified and possibly confirmed during the period of the study subject of the agreement.

The Board of Directors' meeting of 27 March 2018 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 2017 in compliance with art. 154-bis, para.5, of Italian 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 2017.

2. No significant aspects have emerged.

3. It is also certified that:

3.1 the Consolidated Financial Statements as at 31 December 2017:

- 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 Italian 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 Management Report 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 Management Report 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 Italian Legislative Decree 58 of 24 February 1998.

Rome, 27 March 2018

Chief Executive Officer	Head of Financial Reporting
Matteo Corradi	Carlo Marchetti

ANNEXES

1 CORPORATE BODIES AND COMMITTEES OF THE PARENT

Board of Directors[1]

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

Internal Control Committee

Chairman
Francesco Figliuzzi
Members
Marina Martinelli

Remuneration Committee

Chairman
Marina Martinelli
Members
Francesco Figliuzzi

Investor Relator

Matteo Corradi

Board of Statutory Auditors[4]

Marcello Ferrari (Chairman)
Adele Barra
Vittorio Romani

Independent Auditors[5]

BDO Italia S.p.A.

Sponsor and Specialist

Intermonte

[1] Appointed by the shareholders' meeting held on 30 April 2015 and in office until approval of the Financial Statements as at 31 December 2017.
[2] Independent Director
[3] Independent Director
[4] Appointed by the shareholders' meeting held on 29 April 2017 and in office until approval of the Financial Statements as at 31 December 2019.
[5] Appointed for nine years by the Shareholders' Meeting on 30 April 2015, until approval of the Financial Statements as at 31 December 2023.

2 POWERS AND CORPORATE GOVERNANCE

Powers

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

Corporate Governance

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

- delegates powers and duties to the directors and revokes them;
- determines, having consulted the Board of Statutory Auditors, and at the proposal of the Remuneration Committee, the directors' remuneration in conformity with art. 2389 of the Italian Civil Code para.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 chairman of the meeting shall cast the deciding vote.
The Board of Directors' meeting of 12 May 2015 appointed both the Internal Control Committee and the Remuneration Committee.

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

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

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

The Chairman and the Chief Executive Officer define the remuneration of subordinates within the scope of their delegated powers.
The Chairman 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 Chairman 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 Chairman 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 General 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, currently headed by the Board Member Matteo Corradi, was set up to facilitate the dialogue between the Company, shareholders and institutional investors.
The same Director is also specifically responsible for ensuring that the documents and information regarding the Company, in particular those that are price sensitive, are disclosed to the public in compliance with the instructions provided by CONSOB with regulation 11971 and by Borsa Italiana.

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

In the period from 1 January to 31 December 2017, the Board of Directors met 8 times. The Articles of Association do not provide for a minimum frequency of the Board of Directors' meetings. The delegated bodies have reported to the Board of Directors during the aforementioned meetings and in any case with the minimal quarterly frequency required by the Corporate Governance Code. The directors were informed on the items on the agenda with sufficient prior notice.

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

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

3 CORPORATE BODIES OF THE SUBSIDIARIES

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

4 LIST OF THE EQUITY INVESTMENTS IN THE SCOPE OF CONSOLIDATION

List of the equity investments held as at 31 Dec. 2017	
Company Name	**Mondo TV Suisse S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2017	CHF 669,823
Profit (loss) for the year 2017	CHF 237,817
Ownership interest	58%
Company Name	**Mondo TV France S.A.**
Registered Office	Paris (France)
Share capital	Euro 1,100,000
Equity as at 31.12.2017	Euro 1,246,261
Profit (loss) for the year 2017	Euro (680,926)
Ownership interest	26%
Company Name	**Mondo TV Iberoamerica S.A.**
Registered Office	Madrid (Spain)
Share capital	Euro 500,000
Equity as at 31.12.2017	Euro 1,665,611
Profit (loss) for the year 2017	Euro 616,784
Ownership interest	73%
Company Name	**Mondo TV Producciones Canarias S.L.U.**
Registered Office	Tenerife (Spain)
Share capital	Euro 3,006
Equity as at 31.12.2017	Euro 266,638
Profit (loss) for the year 2017	Euro 174,480
Ownership interest	73% (indirect investment)
Company Name	**Mondo TV Toys S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2017	CHF (161,184)
Profit (loss) for the year 2017	CHF (54,504)
Ownership interest	100%

5 LIST OF RELATED PARTIES

Trilateral Land S.r.l.	Company managed or owned by a related party
Orlando Corradi	MTV Controlling shareholder - Director
Matteo Corradi	Director MTV, MFR, MSUISSE, MIBEROAMERICA, MCANARIAS
Monica Corradi	MTV Director
Francesco Figliuzzi	MTV Director
Marina Martinelli	MTV Director
Carlo Marchetti	Director MTV, MFR, MIBEROAMERICA,

FINANCIAL STATEMENTS AND NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2017

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Notes	31.12.2017	31.12.2016
Non-current assets			
- Intangible rights	5	37,657,613	27,473,398
- Other intangible assets	5	*7,701*	*828*
Intangible assets	5	37,665,314	27,474,226
Tangible assets	5	314,728	240,790
Equity investments	5	2,132,146	1,418,865
Deferred tax assets	6	2,631,366	4,622,135
Financial receivables	7	3,801,203	2,786,901
		46,544,757	**36,542,917**
Current assets			
Trade and other receivables	7	44,955,401	30,105,080
Financial receivables	7	1,828,671	134,013
Tax assets	6	2,934,966	4,025,967
Other assets	8	333,784	272,613
Cash and cash equivalents	9	1,276,069	1,379,778
		51,328,891	**35,917,451**
Total assets		**97,873,648**	**72,460,368**
- Share capital		15,307,776	14,361,232
- Share premium		27,766,915	21,213,461
- Legal reserve		2,642,483	2,642,483
- Other reserves		8,223,361	5,805,893
- Retained losses		10,447,861	2,008,606
- Profit (loss) for the year		12,865,636	8,643,857
Total equity	10	**77,254,032**	**54,675,532**
Non-current liabilities			
Provision for post-employment benefits	11	482,133	415,879
Provisions for risks and charges	11	761,930	761,930
Deferred tax liabilities	6	0	222,607
Financial payables	12	418,357	580,000
		1,662,420	**1,980,416**
Current liabilities			
Provisions for risks and charges	11	28,914	28,914
Trade and other payables	12	13,762,590	11,048,541
Financial payables	12	1,555,025	1,244,731
Other liabilities	13	3,610,667	3,482,234
		18,957,196	**15,804,420**
Total liabilities		**20,619,616**	**17,784,836**
Total liabilities + equity		**97,873,648**	**72,460,368**

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

values in Euro	Notes	31.12.2017	31.12.2016
Revenue from sales and services	17	28,437,170	24,844,177
Other income	17	504,194	321,478
Capitalisation of internally produced animated series	18	1,118,736	1,159,149
Raw materials, consumables and goods	19	(84,429)	(92,802)
Personnel costs	20	(1,761,941)	(1,397,950)
Amortisation and impairment of intangible assets	21	(4,865,774)	(4,754,342)
Depreciation and impairment of tangible assets	21	(108,660)	(92,144)
Allowance for doubtful debts	21	(1,169,485)	(1,204,602)
Other operating costs	22	(4,485,818)	(5,704,227)
EBIT		**17,583,993**	**13,078,737**
Finance income	23	634,350	709,277
Financial expenses	23	(2,495,331)	(842,482)
Profit (loss) of the period before tax		**15,723,012**	**12,945,532**
Income tax expense	24	(2,857,376)	(4,301,675)
Profit (loss) for the year		**12,865,636**	**8,643,857**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of comprehensive income			
Values in Euro	**notes**	**31.12.2017**	**31.12.2016**
Profit (loss) for the year (A)		**12,865,636**	**8,643,857**
Other items of the comprehensive income statement:			
TFR actuarial profits (losses)		16,654)	-
Losses recognized directly in equity (B)		(16,654)	-
Total comprehensive income (loss) (A)+(B)		**12,848,982**	**8,643,857**

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity

(Values in Euro)	Share capital	Legal reserve	Retained earnings (losses)	Share premium	Other reserves	Profit (loss) for the year	Equity
Balance as at 31 Dec. 2015	**13,212,414**	**2,642,483**	**1,469,992**	**12,562,489**	**5,977,524**	**3,005,072**	**38,869,974**
Transactions with shareholders recognised in equity:							
GEM capital increase	613,170			4,686,620	(675,772)		4,624,017
Atlas capital increase	535,648			3,964,352	(704,690)		3,795,310
Dividend meeting 29 April 2016						(1,106,047)	(1,106,047)
Dividend meeting 17 November 2016			(849,159)				(849,159)
Items of comprehensive income for the year:							
Allocation of profit (loss) for 2015	-	-	1,387,773		511,252	(1,899,025)	0
Disposal of shares of subsidiaries	-	-	-	-	697,582	-	697,582
Other changes	-	-	-	-	(2)	-	(2)
Profit (Loss) for the year (+/-)	-	-	-	-	-	8,643,857	8,643,857
Balance as at 31 Dec. 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**

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

Statement of cash flows

Statement of cash flows		
(Euro thousands)	**31.12.2017**	**31.12.2016**
A. OPENING CASH AND CASH EQUIVALENTS	1,379,778	1,655,560
Profit (loss) for the year	12,865,636	8,643,857
Depreciation, amortisation and impairment	6,143,919	6,051,088
Net change in provisions	66,254	(535,652)
Cash flow from (used in) operating activities before changes in working capital	19,075,809	14,159,293
(Increase) / decrease in trade and other receivables	(16,019,806)	(9,553,970)
(Increase) decrease in tax assets	3,081,770	5,670,293
(Increase) / decrease in other assets	(61,171)	80,344
Increase / (decrease) in trade payables	2,714,049	298,410
Increase / (decrease) in tax liabilities	(222,607)	82,013
Increase / (decrease) in other liabilities	128,433	1,985,789
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	8,696,477	12,722,172
(Acquisition) / disposal of:		
- Intangible assets	(15,056,862)	(16,952,782)
- Tangible assets	(182,598)	(35,714)
- Financial assets	(713,281)	(237,136)
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(15,952,741)	(17,225,632)
Changes in capital	9,712,864	9,116,907
Dividends paid	0	(1,955,206)
(Increase) / decrease in financial receivables and securities	(2,708,960)	(2,613,914)
Increase / (decrease) in financial payables	296,991	(187,531)
Interest paid	(148,340)	(132,578)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	7,152,555	4,227,678
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(103,709)	(275,782)
F. CLOSING CASH AND CASH EQUIVALENTS	1,276,069	1,379,778

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 as at 31 December 2013

Values in Euro	31/12/2017	related parties	31/12/2016	related parties
Non-current assets				
- Intangible rights	37,657,613		*27,473,398*	
- Other intangible assets	7,701		*828*	
Intangible assets	37,665,314	0	27,474,226	0
Tangible assets	314,728		240,790	
Equity investments	2,132,146	2,132,146	1,418,865	1,418,865
Deferred tax assets	2,631,366		4,622,135	
Receivables	3,801,203	3,639,268	2,786,901	2,624,966
	46,544,757	**5,771,414**	**36,542,917**	**4,043,831**
Current assets				
Closing inventories				
Trade receivables	44,955,401	2,404,799	30,105,080	3,780,616
Financial receivables	1,828,671	1,828,671	134,013	134,013
Tax assets	2,934,966		4,025,967	
Other assets	333,784	0	272,613	0
Cash and cash equivalents	1,276,069		1,379,778	
	51,328,891	**4,233,470**	**35,917,451**	**3,914,629**
Total assets	**97,873,648**	**10,004,884**	**72,460,368**	**7,958,460**
- Share capital	15,307,776		*14,361,232*	
- Share premium	27,766,915		*21,213,461*	
- Legal reserve	2,642,483		*2,642,483*	
- Other reserves	8,223,361		*5,805,893*	
- Retained earnings (losses)	10,447,861		*2,008,606*	
- Profit (loss) for the year	12,865,636		*8,643,857*	
Total equity	**77,254,032**	**0**	**54,675,532**	**0**
Non-current liabilities				
Post-employment benefits	482,133		415,879	
Provisions for risks and charges	761,930		761,930	
Deferred tax liabilities	0		222,607	
Financial payables	418,357	0	580,000	0
	1,662,420	**0**	**1,980,416**	**0**
Current liabilities				
Provisions for risks and charges	28,914	0	28,914	0
Trade payables	13,762,590	2,860,898	11,048,541	1,161,411

Financial payables	1,555,025	0	1,244,731	0
Other liabilities	3,610,667		3,482,234	
	18,957,196	**2,860,898**	**15,804,420**	**1,161,411**
Total liabilities	**20,619,616**	**2,860,898**	**17,784,836**	**1,161,411**
Total liabilities and equity	**97,873,648**	**2,860,898**	**72,460,368**	**1,161,411**

Income statement for the year ended 31 December 2013

Values in Euro	**2017**	**Related parties**	**2016**	**Related parties**
Revenue from sales and services	28,437,170	396,667	24,844,177	2,501,852
Other income	504,194		321,478	
Capitalisation of internally produced animated series	1,118,736		1,159,149	
Raw materials, consumables and goods	(84,429)		(92,802)	
Personnel costs	(1,761,941)	(96,279)	(1,397,950)	(96,279)
Amortisation and impairment of intangible assets	(4,865,774)		(4,754,342)	
Depreciation and impairment of tangible assets	(108,660)		(92,144)	
Allowance for doubtful debts	(1,169,485)		(1,204,602)	
Other operating costs	(4,485,818)	(1,060,258)	(5,704,227)	(1,178,840)
EBIT	**17,583,993**		**13,078,737**	
Finance income	634,350	97,151	709,277	50,819
Financial expenses	(2,495,331)		(842,482)	
Profit (loss) before tax	**15,723,012**		**12,945,532**	
Income tax expense	(2,857,376)		(4,301,675)	
Profit (loss) for the year	**12,865,636**		**8,643,857**	

Statement of cash flows providing related party disclosures

Values in Euro	**2017**	**related parties**	**2016**	**related parties**
A. OPENING CASH AND CASH EQUIVALENTS	1,379,778		1,655,560	
Profit (loss) for the year	12,865,636		8,643,857	
Depreciation, amortisation and impairment	6,143,919	-	6,051,088	-
Net change in provisions	66,254	-	(535,652)	-
Cash flow from (used in) operating activities before changes in working capital	19,075,809	0	14,159,293	0
(Increase) / decrease in trade and other receivables	(16,019,806)	1,375,817	(9,553,970)	1,196,694

(Increase) decrease in tax assets	3,081,770		5,670,293	
(Increase) / decrease in other assets	(61,171)	0	80,344	0
Increase / (decrease) in trade payables	2,714,049	1,699,487	298,410	116,479
Increase / (decrease) in tax liabilities	(222,607)		82,013	
Increase / (decrease) in other liabilities	128,433		1,985,789	
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	8,696,477	3,075,304	12,722,172	1,313,173
(Acquisition) / disposal of:				
- Intangible assets	(15,056,862)	-	(16,952,782)	-
- Tangible assets	(182,598)		(35,714)	
- Financial assets	(713,281)	(713,281)	(237,136)	(237,136)
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(15,952,741)	(713,281)	(17,225,632)	(237,136)
Changes in capital	9,712,864		9,116,907	
Dividends paid	0		(1,955,206)	
(Increase) / decrease in financial receivables and securities	(2,708,960)	(2,708,960)	(2,613,914)	(2,758,979)
Increase / (decrease) in financial payables	296,991	-	(187,531)	-
Interest paid	(148,340)	-	(132,578)	-
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	7,152,555	(2,708,960)	4,227,678	(2,758,979)
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(103,709)	(346,937)	(275,782)	(1,682,942)
F. CLOSING CASH AND CASH EQUIVALENTS	1,276,069		1,379,778	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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 (Borsa Italiana's STAR market). 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.

At the close of the stock market of 26 March 2018, the price of the shares stood at Euro 5.03, equivalent to a capitalisation of about Euro 154 million. In the last 12 months, the value of the stock has increased by about 16%.

The Financial Statements as at 31 December 2017 were approved by the Board of Directors' meeting of 27 March 2018, which authorised their publication on that same date and convened the General Meeting for relevant approval on 30 April 2018 (single call).

These Financial Statements are subject to audit by BDO Italia S.p.A. pursuant to Italian Legislative Decree 39/2010.

The Annual Financial Statements (the "Financial Statements") of Mondo TV S.p.A. (hereafter also the "Company" or the "Parent") have been prepared on a going concern basis, as the Directors have verified that no significant financial, operating or other indicators of issues concerning the Company's ability to meet its obligations in the foreseeable future, and in particular within the 12 months from the end of the reporting period, exist. How the Company manages financial risks, including liquidity risk and capital risk, is described in the paragraph "Financial Risk Management".

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 Management Commentary.

2 ACCOUNTING POLICIES AND MEASUREMENT BASES

The Company's Financial Statements as at 31 December 2017 consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and relevant notes, and are drafted pursuant to IFRSs.

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 statement of financial position, income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity show the comparison with the results related to the previous year ended 31 December 2016 of Mondo TV S.p.A.

The accounting standards and policies applied to these Financial Statements, consistent with those used in preparing the Financial Statements as at 31 December 2016, are the same ones adopted to prepare the Consolidated Financial Statements, to which reference is made. As from 1 January 2017, 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 2013, 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 2017 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 2017 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.

Statement of cash flows
The Statement of cash flows 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 2017 and 2016, 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)	2017		2016		Difference	
Geographical areas	**values**	**%**	**values**	**%**	**values**	**%**
Italy	1,229	4%	2,550	10%	(1,321)	(52%)
Europe	1,542	5%	3,068	12%	(1,526)	(50%)
Asia	26,139	90%	19,492	78%	6,647	34%
Americas	27	0%	55	0%	(28)	(51%)
Africa	4	0%	0	0%	4	0%
Total revenue	**28,941**	**100%**	**25,165**	**100%**	**3,776**	**15%**

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.

Changes in intangible assets

(Euro thousands)	Intangible rights	Other intangible assets	TOTAL
Year 2015			
Cost at 31.12.2015	86,341	988	87,329
Write-downs at 31.12.2015	(16,591)	0	(16,591)
Amortization at 31.12.2015	(54,505)	(957)	(55,462)
Net value at 31 December 2015	**15,245**	**31**	**15,276**
Year 2016			
Acquisitions in the period	16,944	8	16,952
Amortization for the period	(4,716)	(38)	(4,754)
Cost at 31.12.2016	103,285	996	104,281
Write-downs at 31.12.2016	(16,591)	0	(16,591)
Amortization at 31.12.2016	(59,221)	(995)	(60,216)
Balance at 31 December 2016	**27,473**	**1**	**27,474**
Year 2017			
Acquisitions in the period	15,050	7	15,057
Amortization for the period	(4,866)	0	(4,866)
Cost at 31.12.2017	118,335	1,003	119,338
Write-downs at 31.12.2017	(16,591)	0	(16,591)
Amortization at 31.12.2017	(64,087)	(995)	(65,082)
Balance at 31 December 2017	**37,657**	**8**	**37,665**

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.

Increases in the period

The most significant investments concern the production of the animated series Sissi, The Rowly Powlys, Invention Story, Partisans, Beastkeepers, Final Fight, Naraka and Robot Trains.

Amortisation and impairment in the period

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
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.

Also in 2017, the Company operated in an economic context of slight growth, both in Italy and in much of Europe.
The selection of purchases continued, in which the purchase of products with potential licensing is increasingly privileged, capable of attracting investments also from the producers of toys and companies operating in the licensing sector.
The Company has also demonstrated significant commercial strength in the countries that now have significant growth rates, such as China and Taiwan.

In addition, on 31 December 2017, the Directors of the Company subjected intangible rights to impairment tests pursuant to IAS 36 in order to account for any additional impairment losses. The test was conducted by comparing the book value 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.

The resulting cash flows are discounted using a discounting rate (WACC) determined by applying the Capital Asset Pricing Model of 8.20%.

Consistently with the previous years, based on the Company’s specific experience and the well-established practice in the sector, the cash flow has been calculated over a ten-year period (2018-2027) in light of the following aspects:

- the company retains full ownership of most of the library consisting of series for an unlimited period of time;
- the Company considers the period of economic life of rights to last for ten years (the Library’s value becomes equals zero on the tenth year after the title’s release).

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.

The impairment test did not reveal any significant impairment losses.

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

Changes in tangible assets				
(Euro thousands)	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**TOTAL**
Cost at the end of the period	2,386	692	628	3,706
Depreciation at the end of the period	(2,247)	(616)	(546)	(3,409)
Balance at 31 December 2015	**139**	**76**	**82**	**297**

Previous year

Increases for acquisitions	5	0	31	36
Depreciation	(32)	(30)	(30)	(92)
Cost at the end of the period	2,391	692	659	3,742
Depreciation at the end of the period	(2,279)	(646)	(576)	(3,501)
Balance at 31 December 2016	**112**	**46**	**83**	**241**
Current year				
Increases for acquisitions	9	143	31	183
Depreciation	(35)	(45)	(29)	(109)
Cost at the end of the period	2,400	835	690	3,925
Depreciation at the end of the period	(2,314)	(691)	(605)	(3,610)
Balance at 31 December 2017	**86**	**144**	**85**	**315**

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)	**31/12/2016**	**increases/decreases**	**31/12/2017**
equity investments in subsidiaries:			
Mondo TV France	436	41	477
Mondo TV Suisse	158	145	303
Mondo TV Iberoamerica	825	527	1,352
Mondo TV Toys	0	0	0
Total Subsidiaries	**1,419**	**713**	**2,132**
equity investments in other companies	0	0	0
Total equity investments	**1,419**	**713**	**2,132**

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

	31/12/2017 Carrying Value (A)	Equity	%	Relevant equity (B)	Differenc e (B) – (A)
equity investments in subsidiaries:					
Mondo TV France	477	1,246	26	324	(153)
Mondo TV Suisse	303	572	58	332	29
Mondo TV Iberoamerica	1,352	1,666	73	1,216	(136)
Mondo TV Toys	0	(138)	100	(138)	(138)
Total Subsidiaries	**2,132**	**3,346**		**1,734**	**(398)**

In view of the difference between the carrying value of the investment in Mondo TV Iberoamerica and attributable equity was recorded in previous years in a specific provision for risks on investments for an amount of Euro 662 thousand.
With reference to the participation in Mondo TV Toys, given the winding up, an amount of 100 thousand Euro was set aside as a provision for the writedown of equity investments.

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 2017 and the formation of the draft financial statements.

Company Name	% Investment	Share value 29/12/2017	Number of shares	Capitalization Mkt Euro/000	MTV Mkt Share Euro/000
Mondo TV France	26%	0.094	110,705,190	10,406	3,018
Mondo TV Iberoamerica	73%	0.690	10,000,000	6,900	5,037
Mondo TV Suisse	58%	1.141	10,000,000	11,400	6,612

Company Name	% Investment	Share value 27/03/2018	Number of shares	Capitalization Mkt Euro/000	MTV Mkt Share Euro/000
Mondo TV France	26%	0.083	111,313,107	9,239	2,402
Mondo TV Iberoamerica	73%	0.525	10,000,000	5,200	7,522
Mondo TV Suisse	58%	1.115	10,000,000	11,200	7,565

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.

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)	31/12/2016	Increases	Decreases	31/12/2017
Assets	4,622	416	(2,407)	2,631
Liabilities	(223)	0	223	0
Net deferred tax assets	**4,399**	**416**	**(2,184)**	**2,631**

In 2017, deferred tax assets decreased by Euro 2,407 thousand for uses (mainly those allocated on previous tax losses and allowance for doubtful debts).
New deferred tax assets mainly arising from temporary differences amounting to Euro 416 thousand were recognised.

Deferred tax liabilities were entirely reversed during the year.

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 ten years is strictly related to the actual achievement of the objectives set in the 2018-2022 Business Plan, approved by the Company's Board of Directors on 30 November 2017, 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)	**31/12/2017**	**31/12/2016**	**Change**
IRES (Corporate Income Tax)	604	362	242
IRAP (Regional Business Tax)	631	339	292
Tax assets	1,700	3,325	(1,625)
Total tax assets	**2,935**	**4,026**	**-1,091**

The Ires and Irap item consists of the tax advances paid for the 2017 financial year and the IRES receivable deriving from the 2017 Unico declaration.

Tax receivables 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 3,801 thousand at 31 December 2017 compared to Euro 2,787 thousand in the previous year increase 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 Management Report.

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

Breakdown of trade and other receivables			
(Euro thousands)	**31/12/2017**	**31/12/2016**	**change**
Due from customers for invoices issued	39,899	21,632	18,267
Due from customers for invoices to be issued	2,988	4,511	(1,523)
Due from subsidiaries	2,237	3,473	(1,236)
Coproduction	2,766	1,612	1,154
Other receivables	376	1,049	(673)
Due from tax authorities	848	1,105	(257)
Allowance for doubtful debts	(4,159)	(3,277)	(882)
TOTAL	**44,955**	**30,105**	**14,850**

The relevant increase in receivables, and in particular those for invoices issued, is due to that of revenues from sales.

Receivables due from customers for invoices to be issued refer to contracts which do not satisfy the conditions for issuing invoices yet, although part of the revenue for the year has been earned. Part of the invoices were issued in the early months of 2018.

Euro 2,766 thousand of receivables due from customers for coproductions in progress represent the disbursements made for the acquisition of services required to fulfil the obligations vis-à-vis the coproducers (the most significant ones refer to the series *"Nori, Majid, Karamella e Kasslan"*). Upon completion of production, these advances will offset revenue from customers for progress in productions (revenue totalled Euro 433 thousand on 31 December 2017 and is recognised under current payables).

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	31.12.2017	31.12.2016
Opening allowance for doubtful debts	3,277	5,734
Allowance for the period	1,169	1,205
Used in the year	(287)	(3,662)
Closing allowance for doubtful debts	4,159	3,277

Allocations for the year, amounting to Euro 1,190 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 non fulfilling their obligations for invoices issued and to be issued. Uses in the period refer to allocations in previous years against credit positions which, on the basis of careful analysis, are no longer considered collectable or for which the related obligations are required.

8 OTHER ASSETS

The item under review, equal to Euro 334 thousand (Euro 273 thousand as at 31 December 2016), mainly includes costs pertaining to future years.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, equal to Euro 1,276 thousand at 31 December 2017, mainly consist of deposits held with banks.
Approximately Euro 204 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 Management Report.

10 EQUITY

The share capital at 31 December 2017 was equal to Euro 15,307,776.50 and consisted of 30,615,553 ordinary shares with a nominal value of Euro 0.50.

The number of outstanding shares increased by 1,893,090 shares in the year due to the extraordinary finance transaction with Atlas Alpha Yield Fund and Atlas Capital Markets (see paragraph *"Significant events 2017")*, as shown below.

On 27 February, Mondo TV, in order to finance its investment program, with a strong growth over previous years, 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.

It is recalled that the Atlas Contract provides for the Company's right to request the subscription of the Bond in four tranches: the subject of the request of 27 February 2017 was two tranches (the second and third, the first tranche, number 18 bond for a countervalue a total of 4,500,000 euros, recalled and converted in the previous year) of 12 and 18 bonds, respectively, for a total value of 7,500,000 euros; these bonds were fully converted into shares during 2017.

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)	**31/12/2017**	**31/12/2016**
- Share premium	27,767	21,213
- Legal reserve	2,642	2,642
- Other reserves	8,223	5,806
- Retained earnings (accumulated losses)	10,448	2,009
- Profit (loss) for the year	12,866	8,644
TOTAL	**61,946**	**40,314**

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 2016 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 9,549 thousand, the actuarial adjustment of post-employment benefits for Euro 61 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 1,980 thousand.

11 PROVISIONS FOR RISKS AND CHARGES AND POST-EMPLOYMENT BENEFITS

Provisions for current and non-current risks and charges			
(Euro thousands)	**31/12/2017**	**31/12/2016**	**change**
Post-employment benefits	**482**	**416**	**66**
Provision for losses on equity investments	762	762	0
TOTAL NON-CURRENT	**762**	**762**	**0**
Provision for tax audit risks	27	27	0

Other provisions	2	2	0
TOTAL CURRENT	**29**	**29**	**0**

Changes in Post-employment benefits and Provisions for current and non-current risks and charges

(Euro thousands)	**31.12.2016**	**Allocated**	**Used**	**31.12.2017**
Post-employment benefits	416	86	(20)	482
Provision for losses on equity investments	762	-	-	762
TOTAL NON-CURRENT	**1,178**	**86**	**(20)**	**1,244**
Provision for tax audit risks	27	-	-	27
Other risks and charges	2	-	-	2
TOTAL CURRENT	**29**	**-**	**-**	**29**

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)	**31/12/2017**	**31/12/2016**	**change**
Breakdown of trade payables			
Due to suppliers	10,083	7,879	2,204
Due to subsidiaries	2,414	882	1,532
Total trade payables	**12,497**	**8,761**	**3,736**
Breakdown of other payables			
Payables for wages, salaries and fees	412	234	178
Due to social security institutions	214	254	(40)
Advances from coproducers	433	1,558	(1,125)
Withholding tax on third-party remuneration	195	234	(39)
VAT payables	8	8	0
Other payables	4	0	4
Total other payables	**1,266**	**2,288**	**(1,022)**
Total trade and other payables	**13,763**	**11,049**	**2,714**

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 Company during 2017.

As for payables due to subsidiaries, reference should be made to Management Report's paragraph "Related-party and intragroup transactions".

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)	31/12/2017			31/12/2016		
Description	**Due within 12 months**	**After 12 months**	**Total**	**Due within 12 months**	**After 12 months**	**Total**
Due to banks for loans		418	418		580	580
Non-current payables	**0**	**418**	**418**	**0**	**580**	**580**
Bank overdrafts and loans	1,459		1,459	1,245		1,245
Payables for financial leasing	96		96			
Current payables	**1,555**	**0**	**1,555**	**1,245**	**0**	**1,245**
Total	**1,555**	**418**	**1,973**	**1,245**	**580**	**1,825**

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 2017 are detailed below:

Mondo TV S.p.A.					
Worst case repayment date	**on demand**	**due within 12 months**	**between 12 and 36 months**	**after 36 months**	**Total**
Non-current financial payables	**-**	**-**	**418**	**-**	**418**
Payables for convertible bonds	-	-	-	-	-
Medium/long-term financial payables due to banks	-	-	418	-	418
Current financial payables net of cash	**279**	**-**	**-**	**-**	**279**
Short-term financial payables due to third parties	279	-	-	-	279
Trade and other payables	**-**	**13,330**	**-**	**-**	**13,330**
Total as at 31 December 2017	**279**	**13,330**	**418**	**-**	**14,027**

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 amount to Euro 3,482 thousand at 31 December 2017 compared to Euro 1,496 thousand at 31 December 20156. They refer in their totality to revenues for the Company's 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.

14 TAX POSITION

The tax periods for which the company is still liable to audit by tax authorities are those from 2013 onward as concerns direct taxes and VAT.

In the year 2014, the 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 provincial tax department of Rome fully accepted the appeal filed by the Company against the assessment notices related to 2010; thus, the Company's first-instance judgement has been concluded positively.
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 annual financial report as at 31 December 2016 in relation to the above position. In light of the foregoing, there are no direct effects in the financial statements of the sentence of the Provincial Tax Commission mentioned.

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.

- 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 submitted a request for recalculation for deduction of losses and reduction of sanctions.

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 judgement of specially appointed consultants deem scarcely likely that the company may lose in this dispute, the residual value of around Euro 4.7 million and therefore, consistent with the assessments made in the annual financial report as at 31 December 2016, no provision was made in the financial report as at 31 December 2017.

15 CONTINGENT LIABILITIES

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

As regards the dispute against Clan Celentano S.r.l., on 17/5/2017, the Court of Milan, in collegial composition, closed the first-instance of the judgement against Clan Celentano S.r.l. with a sentence that rejected the claim made by Mondo TV against the counterparty.
The rejection of the claim of Mondo TV is accompanied by the partial acceptance of the claims made by Clan Celentano against Mondo TV; in particular, against a claim that can be quantified for approximately Euro 14 million, Mondo TV was sentenced to pay to Clan Celentano S.r.l. the sum of Euro 750 thousand plus interest and monetary revaluation (plus ancillary expenses such as legal fees).

The entire expense of the sentence ruled by the Court of Milan has been included in this financial report and the related payment was settled at the reporting date.

The second dispute was against Pegasus Distribuzione S.r.l., which requested the condemnation of the company, to pay a total amount of Euro 463 thousand for reimbursement of costs incurred for the purchase of products in relation to two sale contracts, and reimbursement of the missed quantifiable gain from a minimum of Euro 101 thousand to a maximum of Euro 169 thousand, in addition to damage to image. With the first-instance ruling on 21 January 2010, the Court of Rome rejected the petition of Pegasus Distribuzione, which challenged the aforementioned ruling.
The appeal sentence of 21 June 2017 definitively rejected the request of Pegasus Distribuzione S.r.l., and ordered it to pay the costs of the proceedings.

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 issued by Confartigianato Fidi in favour of Veneto Banca for a short term credit line to be used as a self-liquidating loan;
- a guarantee of Euro 162 thousand issued by Banca Popolare dell'Emilia Romagna in favour of SIMEST.

17 REVENUES FROM SALES AND OTHER OPERATING REVENUES

Revenues for sales, services and other revenues			
(Euro thousands)	**2017**	**2016**	**Change**
Revenue from sales of rights	6,966	12,714	(5,748)
Revenue from licensing	16,145	5,032	11,113
Revenue from production services	5,326	7,098	(1,772)
Total revenues from sales and services	**28,437**	**24,844**	**3,593**
Other income	**504**	**321**	**183**
Total revenues for sales, services and other revenues	**28,941**	**25,165**	**3,776**

Compared to last year, the significant increase in revenues from sales, equal to Euro 3,593 thousand in absolute terms and approximately 14% in percentage terms, was mainly due to revenues from the exploitation of licensing rights for the new series produced, which they rose from Euro 5,032 thousand in 2016 to Euro 16,145 thousand in 2017, with an increase of Euro 11,113 thousand. Instead, there was a decrease in revenues from TV rights (which benefited in 2016 from the sale of the old library in China) and revenues for production services.

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 1,119 thousand for the year ended 31 December 2017 (Euro 1,159 thousand as at 31 December 2016).
The capitalised costs consist of approximately Euro 730 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 84 thousand as at 31 December 2017, in line with 2016 costs.

20 PERSONNEL COSTS

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

Personnel costs			
(Euro thousands)	**2017**	**2016**	**Change**
Salaries and wages	1,317	1,039	278
Social security costs	359	283	76
Post-employment benefits	86	76	10
Total	**1,762**	**1,398**	**364**

The increase in the cost of personnel over the two financial years is mainly attributable to the higher deferred charges recognized in the 2017 financial year, during which, among other things, the cost of a manager was charged for the entire year differently from the previous year (year of appointment).

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)		
	31/12/2017	**31/12/2016**	**Average figure**
White-collar workers	22	22	22
Executives	2	2	2
Total	**24**	**24**	**24**

21 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the item is shown below:

Breakdown of depreciation and amortisation			
(Euro thousands)	**2017**	**2016**	**Change**
Proprietary rights	3,523	1,805	1,718
Temporary licenses	1,342	2,911	(1,569)
Software licenses	0	27	(27)
Leasehold improvements	0	11	(11)

Amortisation of intangible assets	***4,865***	***4,754***	***111***
Plant and machinery	35	32	3
Industrial and commercial equipment	45	30	15
Other assets	29	30	(1)
Depreciation of property, plant and equipment	***109***	***92***	***17***
Allowance for doubtful debts	**1,169**	**1,205**	**(36)**
Total	**6,143**	**6,051**	**92**

For further details and information, reference is made to the related section of the balance of these notes.

22 OTHER OPERATING COSTS

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

Other operating costs			
(Euro thousands)	**2017**	**2016**	**Change**
Production costs	255	1,850	(1,595)
Marketing and commercialisation costs	904	764	140
Consulting services	355	472	(117)
Remuneration to corporate bodies	406	346	60
Other services	997	1,352	(355)
Service costs	**2,917**	**4,784**	**(1,867)**
Equipment hire and rents	527	557	(30)
Costs associated with leased assets	**527**	**557**	**(30)**
Sundry operating costs	**1,042**	**363**	**679**
Total	**4,486**	**5,704**	**(1,218)**

Lower operating costs (€ 4,486 thousand at 31 December 2017 compared to Euro 5,704 thousand at 31 December 2016) are mainly attributable to lower production costs due to the decrease in executive production on behalf of third parties (€ 1,595 thousand), lower costs for consultancy and other services; the significant increase in other operating expenses is attributable almost entirely to the recognition of the charge deriving from the judgment of the Court of Milan in relation to the dispute with Clan Celentano Srl (Euro 750 thousand).

23 FINANCE INCOME AND COSTS

The table below provides a breakdown of finance income and costs.

Financial income and expenses			
(Euro thousands)	**2017**	**2016**	**Change**
Dividends from subsidiaries	0	51	(51)
Other finance income	97	41	56
Total finance income	*97*	*92*	*5*
Short-term bank interest payable	(149)	(133)	(16)
Discounts and bank fees	(52)	(96)	44
Other financial expenses	(191)	(3)	(188)
Total finance costs	***(392)***	***(232)***	***(160)***
Exchange rate gains	537	617	(80)
Exchange rate losses	(2,103)	(398)	(1,705)
Exchange rate gains and losses	**(1,566)**	**219**	**(1,785)**
Impairment on equity investments	**0**	**(212)**	**212**

Total finance income/(costs)	(1,861)	(133)	(1,728)

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 table below.

Breakdown of taxes			
(Euro thousands)	**2017**	**2016**	**Change**
Previous years' taxes	3	(163)	166
Current taxes	(1,093)	(3,338)	2,245
Tax assets of previous years recognised in the income statement	(2,406)	(1,109)	(1,297)
Deferred tax liabilities of previous years recognised in profit or loss	223	0	223
Deferred tax assets for the year	416	390	26
Deferred tax liabilities for the year	0	(82)	82
Prepaid (deferred) taxes	(1,767)	(801)	(966)
Taxes for the year	**(2,857)**	**(4,302)**	**1,445**
IRES (Corporate Income Tax)	(2,203)	(3,656)	1,453
IRAP (Regional Business Tax)	(654)	(646)	(8)
Taxes for the year	**(2,857)**	**(4,302)**	**1,445**

Reconciliation of taxes		
(Euro thousands)	**2017**	**2016**
Pre-tax income	15,723	12,946
IRES (Corporate Income Tax) at the current rate	(3,774)	(3,560)
Tax effect of permanent differences for IRES (Corporate Income Tax)	1,571	357
Adjustments to net deferred tax assets for IRES (Corporate Income Tax)	0	(290)
IRES (Corporate Income Tax)	**(2,203)**	**(3,493)**
IRAP (Regional Business Tax)	**(654)**	**(646)**
adjustment of prior year taxes	**0**	**(163)**
Total income tax expense for the year	**(2,857)**	**(4,302)**

25 DIVIDENDS

No dividend was resolved or distributed in 2017.

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	2017	2016
Average number of shares during the year	29,786,110	27,499,428
Profit (loss) for the year (in thousands of Euro)	12,866	8,644
Basic and diluted earnings (loss) per share	**0.43**	**0.31**

The diluted earning per share as at 31 December 2017 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.

Already in previous years, Mondo TV adopted appropriate procedures, such as the verification of debtors' solvency, to minimise the exposure to this risk.
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
If significant, the positions, for which a risk of partial or total non-collectability is noted, are subject to individual impairment.

On 31 December 2017, trade receivables amounted to Euro 45,124 thousand, Euro 9,685 thousand of which past due by more than 12 months. An allowance for doubtful debts of Euro 4,159 thousand was recognised in relation to these receivables.

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 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 2017:

	CREDIT LINES - MONDO TV SPA - 31.12.2017			
(Amounts in Euro millions)	Cash	Trade	Loans	Total
Unicredit	0	0	0.26	**0.26**
BNL	0	0	0.2	**0.2**
CREDEM	0	0.4	0	**0.4**
CREDEM FACTORING	0	1	0	**1**
SIMEST	0	0	0.2	**0.2**
Veneto Banca	0	0	0.39	**0.39**
Total	**0**	**1.4**	**1.05**	**2.45**

At 31 December 2017, with respect to the credit lines mentioned above, there are some past due positions for which negotiations are still ongoing with financial institutions to reach a renegotiation.

It should be noted that in recent years, in order to finance the significant investments made and to minimize the liquidity risk, the Company has resorted to extraordinary finance transactions through the issue of convertible bonds.

Exchange rate risk

The Company is exposed to the exchange rate risk due to the recognition of currency transactions (in United States 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.
At 31 December 2017, it had net assets denominated in US dollars totalling USD 8,017 thousand; if the Euro/Dollar exchange rate as at 31 December 2017 had been 10% lower, less foreign currency losses of Euro 668 thousand would have been recorded, while if the exchange rate had been 10% higher, a greater foreign currency loss of Euro 668 thousand would have been recorded.

Interest rate risk

The interest rate fluctuations influence the cash flows, the market value of the company's financial assets and liabilities, and the level of the net finance income (expenses).

The loans are at floating rates, in particular the Euribor plus a variable spread from 2.5% up to Euribor +7% for some marginal lines.
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 Management Report 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 2017, the Board of Directors earned remuneration net of social security costs of Euro 276 thousand as resolved by the Company's Ordinary General Meeting on 30 April 2015 and by the Board of Directors' meeting of 01 October 2015. Remuneration is broken down as follows:

(Euro thousands)	**31.12.2017**	**31.12.2016**
Remuneration	276	257
Post-employment benefits	-	-
Other long-term benefits	-	-
Indemnities for the termination of employment	-	-
Stock options	-	-
TOTAL	**276**	**257**

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	Orlando	Chairman of Mondo TV S.p.A.	80
Corradi	Monica	Board Member of Mondo TV S.p.A.	86
Corradi	Matteo	Board Member of Mondo TV S.p.A.	66
Figliuzzi	Francesco	Board Member of Mondo TV S.p.A.	18
Martinelli	Marina	Board Member of Mondo TV S.p.A.	14
Marchetti	Carlo*	Board Member of Mondo TV S.p.A.	110
		Total Directors	**374**
4Ferrari	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	**409**

*Of which Euro 97,500 as executive compensation and Euro 12,500 as director

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.

In addition, the Chairman of the Board of Directors of the Parent Company was paid a fee for the set design and direction of the Rowly Powlys and Sissi series for a total amount of Euro 200 thousand (amount recorded under intangible assets).

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 2017 and amounting to Euro 55 thousand, are shown below. Only audit services were provided during the year.

Type of service	Service provider	Recipient	Remuneration	Period
Audit	BDO Italia S.p.A.	Mondo TV S.p.A.	55	2017
Total remuneration			**55**	

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 2017 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 Law on Finance (TUF, Testo Unico sulla Finanza) – Requirements pursuant to article 114, paragraph 5, of Italian 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 2017 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.

The following is outlined.

On 5 January 2018, 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.

At the date of this report, in relation to the fourth tranche, bonds have already been converted for a total amount of Euro 2 million.

On 20 March 2018, a new agreement was signed between the 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 agreement concerns the start and completion of a study phase on the feasibility of the project by September 2019; it is emphasized that the agreement does not in any way bind the parties to proceed after the realization of the park, since the same have not made any commitment, even conditional, in this regard.

The study will focus on the verification and technical, financial and legal analysis of the possible construction plan, as well as the development of a business plan to support the analysis on the possible economic sustainability and profitability of the project.

The project under study foresees that the park will be realized in the urban area of Zhengzhou, capital of the province of Henan, the most populous Chinese province that is currently in a phase of strong economic expansion.

Based on a preliminary illustrative plan developed by Henan York, the initial investment for the realization of the park could amount to around Euro 250 million. Therefore, the study phase will also have to verify the possibility of access to forms of financing for the parties, and the search for possible additional partners, industrial and financial, for the subsequent possible start of the project.

During the study phase, of particular importance will be the technical and legal verifications for the structuring of the operation.

Finally, the parties will use the study period for the development of a detailed business plan that analyzes the key elements for the eventual success of the operation, the risk factors, the growth assumptions with a view to long-term sustainability and the return on investment forecast.

For completeness of information, it is noted that based on a preliminary illustrative plan made by the partner Henan York, the park is expected to generate an annual turnover, starting from its completion and start-up, estimated for 2023, in case of outcome positive of the feasibility study, of around Euro 100 million with a net profit of Euro 14 million. This figure, as well as the amount of the investment requested, will be verified and possibly confirmed during the period of the study subject of the agreement.

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

With reference to the profit for the year of Euro 12,865,636, it is proposed to allocate Euro 419,072 to legal reserve and to carry forward the remainder.

* * * *

The Board of Directors' meeting of 27 March 2018 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 2017 in compliance with article 154-bis, paragraph 5, of Italian 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 art. 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 2017.

2. No significant aspects have emerged.

3. It is also certified that:

3.1 The Financial Statements as at 31 December 2017:

- 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 Italian 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 Management Report 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 Management Report 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 Italian Legislative Decree 58 of 24 February 1998.

Rome, 27 March 2018

Chief Executive Officer	Head of Financial Reporting
Matteo Corradi	Carlo Marchetti

ANNEXES

1 CORPORATE BODIES AND COMMITTEES OF THE PARENT

Board of Directors[1]

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

Internal Control Committee

Chairman
Francesco Figliuzzi
Members
Marina Martinelli

Remuneration Committee

Chairman
Marina Martinelli
Members
Francesco Figliuzzi

Investor Relator

Matteo Corradi

Board of Statutory Auditors[3]

Marcello Ferrari (Chairman)
Adele Barra
Vittorio Romani

Independent Auditors[4]

BDO Italia S.p.A.

Sponsor and Specialist

Intermonte

[1] Appointed by the shareholders' meeting held on 30 April 2015 and in office until approval of the Financial Statements at 31 December 2017

[2] Independent Director

[3] Appointed by the shareholders' meeting held on 29 April 2017 and in office until approval of the Financial Statements at 31 December 2019

[4] Appointed for nine years by the Shareholders' Meeting on 30 April 2015, until approval of the Financial Statements as at 31 December 2023

2 POWERS AND CORPORATE GOVERNANCE

Powers

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

Corporate Governance

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

- delegates powers and duties to the directors and revokes them;
- determines, having consulted the Board of Statutory Auditors, and at the proposal of the Remuneration Committee, the directors' remuneration in conformity with art. 2389 of the Italian Civil Code para.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 chairman of the meeting shall cast the deciding vote.
The Board of Directors' meeting of 12 May 2015 appointed both the Internal Control Committee and the Remuneration Committee.

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

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

that purpose by the Board of Directors.

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

The Chairman and the Chief Executive Officer define the remuneration of subordinates within the scope of their delegated powers.
The Chairman 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 Chairman 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 Chairman 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 General 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, currently headed by the Board Member Matteo Corradi, was set up to facilitate the dialogue between the Company, shareholders and institutional investors.
The same Director is also specifically responsible for ensuring that the documents and information regarding the Company, in particular those that are price sensitive, are disclosed to the public in compliance with the instructions provided by CONSOB with regulation 11971 and by Borsa Italiana.

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

In the period from 1 January to 31 December 2017, the Board of Directors met 8 times. The Articles of Association do not provide for a minimum frequency of the Board of Directors' meetings. The delegated bodies have reported to the Board of Directors during the aforementioned meetings and in any case with the minimal quarterly frequency required by the Corporate Governance Code. The directors were informed on the items on the agenda with sufficient prior notice.

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

On 28 March 2008, the Parent's Board of Directors also implemented an organisational model pursuant to Italian 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 two members of the Parent's Board of Directors, 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 (Chair)
Mondo France S.A.	Directors Matteo Corradi (Chair) Eve Baron Carlo Marchetti Feliciana Gargano
Mondo TV Iberoamerica S.A.	Jesus Timoteo Maria Bonaria Fois Matteo Corradi Carlo Marchetti Patricia Motilla José Ramon
Mondo TV Producciones Canarias S.L.U.	Maria Bonaria Fois Matteo Corradi Enrico Martinis

4 LIST OF THE EQUITY INVESTMENTS IN THE SCOPE OF CONSOLIDATION

List of the equity investments held as at 31 Dec. 2017	
Company Name	**Mondo TV Suisse S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2017	CHF 669,823
Profit (loss) for the year 2017	CHF 237,817
Ownership interest	58%
Company Name	**Mondo TV France S.A.**
Registered Office	Paris (France)
Share capital	Euro 1,100,000
Equity as at 31.12.2017	Euro 1,246,261
Profit (loss) for the year 2017	Euro (680,926)
Ownership interest	26%
Company Name	**Mondo TV Iberoamerica S.A.**
Registered Office	Madrid (Spain)
Share capital	Euro 500,000
Equity as at 31.12.2017	Euro 1,665,611
Profit (loss) for the year 2017	Euro 616,784
Ownership interest	73%
Company Name	**Mondo TV Producciones Canarias S.L.U.**
Registered Office	Tenerife (Spain)
Share capital	Euro 3,006
Equity as at 31.12.2017	Euro 266,638
Profit (loss) for the year 2017	Euro 174,480
Ownership interest	73% (indirect investment)
Company Name	**Mondo TV Toys S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2017	CHF (161,184)
Profit (loss) for the year 2017	CHF (54,504)
Ownership interest	100%

5 LIST OF RELATED PARTIES

Trilateral Land S.r.l.	Company managed or owned by a related party
Orlando Corradi	MTV Controlling shareholder - Director
Matteo Corradi	Director MTV, MFR, MSUISSE, MIBEROAMERICA, MCANARIAS
Monica Corradi	MTV Director
Francesco Figliuzzi	MTV Director
Marina Martinelli	MTV Director
Carlo Marchetti	Director MTV, MFR, MIBEROAMERICA