

INTERIM REPORT ON OPERATIONS

Q 1 2 0 2 0



APPROVED BY THE BOARD OF DIRECTORS ON 14 MAY 2020

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1. HIGHLIGHTS

Reclassified condensed consolidated income statement		
<i>(Euro thousands)</i>	Q1 2020	Q1 2019
Revenues	5,237	4,154
Capitalisation of internally produced animated series	721	851
Operating costs	(1,974)	(2,007)
EBITDA	3,984	2,998
Amortisation and depreciation, impairment, and provisions	(2,087)	(1,245)
EBIT	1,897	1,753
net finance income (expenses)	(108)	(87)
Profit (loss) of the period before tax	1,789	1,666
Income tax expense	(405)	(624)
Net profit (loss) for the period	1,384	1,042
Profit (loss) for the year attributable to non-controlling interests	(9)	68
Profit (loss) attributable to owners of the Parent	1,393	974

Reclassified condensed consolidated statement of financial position		
<i>(Euro thousands)</i>	31.03.2020	31.12.2019
Non-current fixed assets	49,442	50,492
Current assets	31,854	27,681
Current liabilities	(14,510)	(14,594)
Net working capital	17,344	13,087
Non-current liabilities	(630)	(632)
Invested capital	66,156	62,947
Net financial position	(3,314)	(1,375)
Shareholders' equity	62,841	61,573
Non-controlling interests	1,219	1,211
Equity attributable to owners of the Parent	61,622	60,362

MONDO TV GROUP

Consolidated cash flow statement		
(Euro thousands)	Q1 2020	Q1 2019
A. OPENING CASH AND CASH EQUIVALENTS	7,999	12,463
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	(448)	2,096
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(1,376)	(4,319)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	(391)	2,446
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(2,215)	223
F. CLOSING CASH AND CASH EQUIVALENTS	5,784	12,686

2. INTRODUCTION

2.1 General and methodological introduction

This interim report on Group operations in Q1 2020 is on a consolidated basis and has been prepared in accordance with article 154-ter, paragraph 5 of Legislative Decree 58/1998 (CFA), as amended by Legislative Decree 195/2007, which implemented Directive 2004/109/EC (Transparency Directive) and takes into account the communication from CONSOB, the accounting rules office, dated 30.4.2008.

It consists of a number of statements containing quantitative figures and explanatory and supplementary notes.

The purpose of the interim report on operations is to provide a general description of the financial position and performance of the Mondo TV Group during the period under review and to illustrate the significant events and transactions that took place during the period under review and their impact on the Group's financial position.

The income statement figures are shown with reference to the three months of the current year 2020 and are compared to the corresponding period of the previous year 2019.

The net financial position figures are compared with the closing figures for the previous year (31.12.2019).

All economic and financial figures are provided on a consolidated basis and are shown in Euro thousands.

The interim report on operations has not been audited.

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

The items indicated in the reclassified financial statements presented above are in part taken from the statutory financial statements and reported further on in this document, and are in part the result of aggregations; the composition of the latter and the references to the items in the statutory financial statements are shown below.

Current assets: the sum of closing inventories, trade receivables, tax assets, and other assets.

Current liabilities: the sum of trade payables, tax payables and other liabilities.

Non-current liabilities: the sum of provisions for risks and charges (including current) and deferred tax liabilities.

Net financial position: the sum of financial receivables, cash and cash equivalents, current and non-current financial payables.

Revenues: the sum of revenues from sales and services, other revenues, change in inventories.

Operating costs: the sum of consumable raw materials, personnel costs and other operating costs.

Amortisation, depreciation, impairment and provisions: the sum of amortisation and impairment of intangible assets, depreciation and impairment of property, plant and equipment, and the allowance for doubtful debts.

Gross operating margin (EBITDA): the difference between operating revenues and costs as defined above.

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

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

ANNEXES

In order to supplement the information contained in the report, the following statements and documents are annexed:

Annex 1): summary financial statements of the parent company Mondo TV S.p.A.

Annex 2): corporate bodies of the parent company Mondo TV S.p.A.

Annex 3): corporate bodies of subsidiaries

2.2 Accounting policies and measurement bases

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

The interim report on operations does not qualify as interim financial statements pursuant to IFRS and, in particular, IAS 34.

The term IFRS encompasses all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission as of the date of approval of the Interim Report on Operations.

The valuation of financial statement items was based on general prudence and accrual criteria, on a going concern basis.

Application of the principle of prudence has resulted in the individual valuation of the elements making up the individual items or items of assets and liabilities, in order to avoid offsetting losses that should have been recognised with unrealised gains.

In compliance with the accrual principle, the effect of transactions and other events was accounted for and allocated to the period to which such transactions and events refer, and not to the period in which the related cash movements (collections and payments) take place.

With regard to the criteria adopted for the valuation of the individual items of the statement of financial position and income statement, they are unchanged from those adopted when preparing the separate and consolidated financial statements at 31.12.2019. Reference is therefore made to said statements for an analytical description.

2.3 Consolidation scope and criteria

The financial statements of the consolidated companies as submitted by their respective Boards of Directors, have been used to prepare the interim report on operations at 31 March 2020. The financial statements prepared by the subsidiaries have been adjusted, where necessary, by the Parent Company to make them adherent to the IFRS.

Subsidiaries are all the companies (including special purpose entities) in relation to which the Group has the power to govern the financial and operating policies, generally with a shareholding of at least half plus one of the actual or potential voting rights in the Shareholders' Meeting. The subsidiaries are consolidated starting from the date when the Group acquires control. They will be deconsolidated on the date when such control is lost.

Intercompany balances, transactions, and unrealised net gains from intercompany transactions, are eliminated.

Equity and the profit (loss) for the year attributable to non-controlling interests are presented separately in the statement of financial position and in the income statement of the consolidated financial statements.

There are no jointly controlled companies.

The subsidiaries were consolidated using the line-by-line method.

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

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

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

2.4 Estimated figures

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

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

3. STATEMENTS OF QUANTITATIVE FIGURES

3.1 *Statement of financial position at 31 March 2020 and comparisons with 2019*

Statement of financial position

(Euro thousands)

3.2 Changes in the Group's net financial position

Consolidated net financial position		
<i>(Euro thousands)</i>	31.03.2020	31.12.2019
Cash and cash equivalents	5,784	7,999
Current financial payables due to banks	(4,716)	(4,829)
Financial payables for IFRS 16 application	(385)	(431)
Net current financial position	683	2,739
Financial payables for IFRS 16 application	(980)	(1,077)
Non-current payables due to banks	(3,017)	(3,037)
Net non-current financial position	(3,997)	(4,114)
Net financial debt as per comm. Consob DEM/6064293	(3,314)	(1,375)
Non-current receivables due from third parties	0	0
Consolidated net financial position	(3,314)	(1,375)

3.3 Analysis of changes in intangible assets

Changes in intangible assets

MONDO TV GROUP

Amortisation and impairment as at 31/12/2019	(190,938)		(1,224)	(192,162)
Net value 31/12/2019	35,733	0	40	35,773
<hr/>				
<i>Q1 2020</i>				
Increases in the period	1,136		14	1,150
Disposals in the period				0
Amortisation and impairment in the period	(1,927)		0	(1,927)
Reclassifications				0
<hr/>				
Cost as at 31/03/2020	227,807	0	1,278	229,085
Amortisation and impairment as at 31/03/2020	(192,865)		(1,224)	(194,089)
Net value 31/03/2020	34,942	0	54	34,996
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3.4 Income statement Q1 2020

Consolidated income statement for the year ended 31 December 2013

3.5 Cash flow statement Q1

Consolidated cash flow statement		
(Euro thousands)	Q1 2020	Q1 2019
A. OPENING CASH AND CASH EQUIVALENTS	7,999	12,463
Group profit (loss) of the period	1,393	974
Profit (loss) for the year attributable to non-controlling interests	(9)	68
Total profit (loss) of the period	1,384	1,042
Depreciation, amortisation and impairment	2,087	1,246
Net change in provisions	(2)	(53)
Cash flow from (used in) operating activities before changes in working capital	3,469	2,235
(Increase) decrease in trade receivables	(3,942)	(1,291)
(Increase) decrease in tax assets	252	222
(Increase) decrease in other assets	(144)	(259)
Increase (decrease) in trade payables	192	882
Increase (decrease) in tax liabilities	(275)	307
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	(448)	2,096
(Acquisition) / Disposal of		

4. EXPLANATORY AND SUPPLEMENTARY NOTES

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

The following table represents Q1 2020 compared to the corresponding period in 2019:

Reclassified condensed consolidated income statement

(Euro thousands)

Q1 2020

The net financial position amounted to Euro 3.3 million of net debt compared to Euro 1.4 million of net debt at 31 December 2019; the increase was mainly due to a slowdown in collections due to the lockdown first in Asia and then in Europe, partially offset by the lower volume of investments; starting in April and then more consistently in May, the volume of collections has been resuming its normal trend due to reopening, without showing any critical situations.

The Group's shareholders' equity was Euro 61.6 million compared to Euro 60.4 million at 31 December 2019, mainly due to the result for the year.

With regard to the parent company Mondo TV S.p.A.:

The production value amounted to approximately Euro 4.2 million in the period, an increase of 27% compared to the first three months of 2019 due mainly to sales of new series.

EBITDA amounted to approximately Euro 3.3 million, an increase of 37% compared to approximately Euro 2.4 million in the first three months of 2019 as a result of the above.

EBIT was approximately Euro 1.5 million, up 7% compared to approximately Euro 1.4 million in the first three months of 2019.

Net income was approximately Euro 1 million, in line with the first three months of 2019.

4.2 Significant events and transactions in Q1 2020 and their impact on the Group's financial and economic position

In Q1 2020, the collaboration with the German company Toon2Tango was strengthened, reinforcing the Group's presence in Northern European countries, with the start of the development of three additional productions and with the worldwide distribution mandate to Mondo TV, for both television and licensing rights for two additional series produced by third parties.

The sale of the animated series *Sissi* and *MeteoHeroes* to Swiss television RSI was completed on 20 February.

At the end of the quarter, the subsidiary Mondo TV Iberoamérica renewed with Turner Italia the sale of the rights to the first two seasons of the live series *Yo Soy Franky*, while the largest revenue item for the subsidiary Mondo TV Producciones Canarias relates to the sale of part of the IP of *Bat Pat 2* to RTVE.

Production continued by the subsidiary Mondo TV France of the animated series *Disco Dragon* and by the parent company of the animated series *Invention Story*, *Robot Trains 3 third season* and *MeteoHeroes*.

4.3 Events after period-end and outlook for the year

April saw the launch in Italy of the *MeteoHeroes* series (première on 22 April) and *Invention Story* with satisfactory audience results.

Also in April, the subsidiary Mondo TV Producciones Canarias signed a new co-production contract with Enanimation for the development of a 52-episode series called *Nina & Olga*, from the book of the same name by the famous writer and illustrator Nicoletta Costa.

In May, Mondo TV signed a licensing agreement with TIM for six programs to be broadcast on TIMVISION, including *Invention Story*, *Robot Trains* and *Sissi*.

To date, no significant impacts are expected from the COVID-19 crisis, since the company is structured in such a way as to carry on normal operations even with remote working tools, and there are no significant slowdowns from both domestic and foreign suppliers. It has the necessary liquidity for the normal course of operations; as far as the acquisition of new contracts is concerned, the Group has sufficient contracts for the coming months to achieve the objectives set out in the business plan.

On behalf of the Board of Directors
Chief Executive Officer

(Matteo Corradi)

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

The company's financial reporting manager, Carlo Marchetti, declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act, that the information contained in this document Interim Report on Operations Q1 2020 corresponds to the document results, accounting books and records.

Financial Reporting Manager
Carlo Marchetti

3. ANNEXES

3.1 PARENT COMPANY CONDENSED FINANCIAL STATEMENTS

Condensed statement of financial position

(Euro thousands)

31/03/2020

3.2 CORPORATE BODIES OF THE PARENT

Board of Directors¹

Chair and CEO

Matteo Corradi

Directors

Monica Corradi

Aurelio Fedele²

Angelica Mola³

Carlo Marchetti

Investor Relator

Piergiacomo Pollonio

Board of Statutory Auditors⁴

Maurizio Bernardo (Chair)

Adele Barra

Alberto Montuori

Independent Auditors⁵

BDO Italia S.p.A.

Sponsor and Specialist

Finnat

¹ In office until the approval of the Financial Statements at 31.12.2020

² Independent Director

³ Independent Director

⁴ In office until the approval of the Financial Statements at 31.12.2022

⁵ Assignment for nine financial years, until the approval of the financial statements at 31.12.2023

3.3 CORPORATE BODIES OF THE SUBSIDIARIES

Mondo TV Suisse S.A.

Board of Directors
Yvano Dandrea (Chair)
Valentina La Macchia
Paolo Zecca
Matteo Corradi
Alexander Manucer

Mondo TV Toys S.A. in liquidation