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

Mondo TV S.p.A.

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

Registered office	**Via Brenta, 11 - Rome**
Other offices	**Via Montenero, 42 - 44 - Guidonia (RM)**
	Corso Buenos Aires, 92 - Milan
	52, Rue Gerard - 75013 Paris (France)
	Calle Alvarez de Baena, 4 Pt 4A - Madrid (Spain)
	Via Crocicchio Cortogna, 6 - Lugano (Switzerland)
	Calle Rambla de Pulido 42 - Tenerife (Canary Islands, Spain)

Annual Financial Report as at 31 December 2019

Draft: Board of Directors' Meeting of 30 March 2020
Approved: Shareholders' Meeting of 13 May 2020

Mondo TV S.p.A.
Registered Office: Via Brenta, 11 - Rome
Share Capital Euro 18,207,106
Companies' Register and Tax Code 07258710586
Economic and Administrative Repository (R.E.A.) of Rome 604174

CONTENTS **PAGE**

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (1)

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

BOARD OF STATUTORY AUDITORS (2)

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

INDEPENDENT AUDITORS (3)

BDO Italia S.p.A.

Other bodies of the Parent Company:

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

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

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

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

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

REPORT ON OPERATIONS

1. GENERAL COMMENTARY

Shareholders,

The Annual and Consolidated Financial Statements of Mondo TV S.p.A. (Group or Mondo TV Group) as at 31 December 2019, 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 report on operations that accompanies both the individual and consolidated financial statements of the Parent, giving more prominence, unless otherwise indicated, to the phenomena at Group level.

Due to the measures taken in connection with the Covid19 epidemiological emergency, the Parent Company took advantage of the extended statutory deadlines for the approval of its financial statements, as allowed under the articles of association and statutory provisions.

1.1 Consolidated results

Compared to the 2018 financial year, the increase in revenues of Euro 3.7 million in absolute terms and approximately 19% in percentage terms is mainly attributable to the development of new projects by the Parent Company and the increase in turnover of the subsidiary Mondo TV France. With reference to the Parent Company, there was the production and delivery of the series *Invention Story*, *Bat Pat 2*, *Robot Trains Season 2 and 3* and *MeteoHeroe*s, while with reference to Mondo TV France, the increase is due to the completion of the series *Rocky* and the progress of the production of the series *Disco Dragon*.

The capitalisation of internally produced animated series mainly refers to the productions of the Parent Company and Mondo TV France, and was Euro 3.5 million (Euro 2.7 million in 2018); the increase is mainly due to the greater progress of the subsidiary's productions.

Operating expenses decreased by Euro 0.7 million mainly due to lower production costs and the absence of lease costs as a result of the adoption of IFRS 16 as of 1 January 2019.

The Gross Operating Margin went from Euro 11.2 million in 2018 to Euro 16.4 million in 2019, an increase of Euro 5.2 million; the increase of 47% was due to the increase in revenues against a containment of operating costs.

In light of the foregoing, the operating result after amortization, depreciation, impairment and provisions (Euro 10.1 million, compared to Euro 65.7 million in 2018) is positive for Euro 6.3 million, compared to Euro 54.5 million operating loss in 2018, with an improvement of Euro 60.9 million in absolute terms.

In 2019, financial management was negative by Euro 0.3 million, compared to positive management of Euro 0.5 million in 2018.

After taxes of Euro 2.1 million (positive taxes of Euro 11.5 million in 2018 due to the recognition of deferred tax assets), the Group's net profit stood at Euro 3.8 million compared to a net loss of Euro 39.5 million in the previous year, a positive change of Euro 43.3 million in absolute terms.

The net financial position showed net debt of Euro 1.4 million compared to net cash of Euro 8.1 million at 31 December 2018, due to the investments made in the production of the new animated series and the introduction of the new accounting standard IFRS 16, which extends the same accounting treatment of financial leases to operating leases, resulting in higher debt of Euro 1.5 million at 31 December 2019; without

the effect of the application of the new accounting standard, the net financial position would be a positive Euro 0.1 million.
The Group's cash and cash equivalents amounted to Euro 8 million at 31 December 2019.

Group equity went from Euro 58.2 million at 31 December 2018 to Euro 60.4 million at 31 December 2019 mainly due to the Group profit of the year of Euro 3.8 million.

1.2 Results of the Parent Company

Compared to the 2018 financial year, the increase in revenues was Euro 1.7 million in absolute terms and approximately 10% in percentage terms and was attributable, as noted above, to the progress of Mondo TV new projects.

The capitalisation of internally produced animated series was Euro 1.1 million (Euro 1.1 million in 2018).

Operating expenses were Euro 4.8 million (Euro 6.4 million in 2018) due to lower production costs and the elimination of a large part of lease costs as a result of the adoption of IFRS 16 from 1 January 2019.

The Gross Operating Margin went from Euro 11.0 million in 2018 to Euro 14.2 million in 2019, an increase of Euro 3.2 million; the increase of 30% was due to the higher volume of revenues together with a containment of operating costs.

In light of the foregoing, the operating result after depreciation, amortisation, impairment and provisions of Euro 7.4 million (Euro 59.2 million in 2018) was positive for Euro 6.9 million, compared to Euro 48.2 million operating loss in 2018, with an improvement of Euro 55.1 million in absolute terms.

In 2019, the financial management was negative for Euro 1.2 million, against a negative result of Euro 1.8 million in 2018, determined mainly by the value adjustment of the investment in Mondo TV Iberoamerica for Euro 1.1 million (Euro 2.2 million in the previous year).

After taxes of Euro 1.9 million (Euro 11.4 million of positive taxes in 2018), there was a net profit for the year of Euro 3.7 million compared to a loss of Euro 38.7 million in the previous year.

The net financial position showed net cash of Euro 3.1 million (of which Euro 1.7 million represented by medium/long-term financial receivables from subsidiaries) compared to net cash of Euro 16.5 million at 31 December 2018 as a result of the investments made in the production of the new animated series and the introduction of the new accounting standard IFRS 16, which extends the same accounting treatment of financial leases to operating leases, resulting in higher debt of Euro 1.3 million at 31 December 2019; without the effect of the application of the new accounting standard, the net financial position would be a positive Euro 4.4 million.

Mondo TV cash and cash equivalents amounted to Euro 6.4 million at 31 December 2019.

Mondo TV S.p.A. equity went from Euro 59.5 million at 31 December 2018 to Euro 63.9 million at 31 December 2019 mainly due to the profit of the year of Euro 3.7 million.

2. DESCRIPTION OF THE COMPANY'S OPERATING CONDITIONS

The Group has historically been operating in the business of producing and marketing television series and full-length animated movies. For more than five years now, the Company has been focusing on sectors related with its core business, chief among them, especially in perspective, the 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 2019 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 interest for the creation of new productions. The economic crisis of the past years has led to a selection of operators.

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

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

Mondo TV France S.A. produces and coproduces animated television series for French broadcasters and, from a strategic point of view, allows the Mondo TV Group to expand its operations to France and French-speaking countries. The company is listed at the AIM Italy - Alternative Capital Market (hereinafter, "AIM Italy") organised and managed by Borsa Italiana S.p.A. (Italian Stock Exchange); the percentage of investment of Mondo TV S.p.A. at 31 December 2019 amounts to about 21%.
The subsidiary closed the 2019 financial year with a profit of Euro 259 thousand and shareholders' equity of Euro 3,097 thousand.

Mondo TV Suisse S.A. realises productions and co-productions of animated television series for customers in the USA, the Middle East, Asia and Russia.
Of particular note, among others, is the agreement with Aurora and Netflix for the production of the animated series *Yoohoo and Friends*.
The company is listed at the AIM Italy - Alternative Capital Market (hereinafter, "AIM Italy") organised and managed by Borsa Italiana S.p.A. (Italian Stock Exchange). The percentage of investment of Mondo TV S.p.A. at 31 December 2019 was approximately 61%.
The subsidiary ended the 2019 financial year with a profit of CHF 916 thousand and net assets of CHF 2,004 thousand

The mission of **Mondo TV Iberoamerica S.A.** is to sell the television rights of the Group's Library in Spain, Portugal, and South America, and to produce and coproduce animated television series in Spanish and Portuguese for TV broadcasters. The company was listed in 2016 on the Mercato Alternativo Bursatil (MAB) on the Madrid Stock Exchange. The percentage of investment of Mondo TV S.p.A. at 31 December 2019 was 79%.
The subsidiary closed the 2019 financial year with a loss of Euro 302 thousand and shareholders' equity of Euro 3,149 thousand.

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%.
The liquidation phase was completed as at 30 June 2018 and the cancellation of the company from the register of companies is pending.

Mondo TV Producciones Canarias S.L.U. also incorporated in 2016, is aimed at the realisation of specific phases of production of animated series and, more generally, of television productions. The percentage of investment of Mondo TV S.p.A., through Mondo TV Iberoamerica S.A., which holds 100% of the share capital, is 79%.
The subsidiary closed the 2019 financial year with a profit of Euro 409 thousand and shareholders' equity of Euro 863 thousand.

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

The Mondo TV Group	
Company	**Sectors**
Mondo TV S.p.A.	*Production, Distribution, Licensing*

Mondo TV Suisse S.A.	*Production, Distribution*
Mondo France S.A.	*Production*
Mondo TV Iberoamerica S.A.	*Distribution*
Mondo TV Toys S.A.	*Distribution*
Mondo TV Producciones Canarias S.L.U.	*Production*

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

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

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

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

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

3. KEY DATA OF THE GROUP AND PARENT

3.1 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)	31.12.2019	31.12.2018
Non-current fixed assets	**50,492**	**45,997**
Current assets	27,681	24,771
Current liabilities	(14,594)	(22,137)
Net working capital	**13,087**	**2,634**
Non-current liabilities	**(632)**	**(611)**
Invested capital	**62,947**	**48,020**
Net financial position	(1,375)	8,065
Shareholders' equity	**61,572**	**56,110**
Non-controlling interests	1,211	(2,071)
Equity attributable to owners of the Parent	**60,361**	**58,181**

Reclassified condensed consolidated income statement		
(Euro thousands)	**2019**	**2018**
Revenues	23,190	19,498
Capitalisation of internally produced animated series	3,493	2,701
Operating costs	(10,285)	(11,004)
EBITDA	**16,398**	**11,195**
Amortisation and depreciation, impairment, and provisions	(10,055)	(65,720)
EBIT	**6,343**	**(54,525)**
net finance income (expenses)	(334)	507
Profit (loss) of the period before tax	**6,009**	**(54,018)**
Income tax expense	(2,108)	11,513
Net profit (loss) for the period	**3,901**	**(42,505)**
Profit (loss) for the year attributable to non-controlling interests	69	(2,991)
Profit (loss) attributable to owners of the Parent	**3,832**	**(39,514)**

Losses/Earnings per share (basic and diluted)	**0.11**	**(1.17)**

Consolidated net financial position		
(Euro thousands)	**31.12.2019**	**31.12.2018**
Cash and cash equivalents	7,999	12,463
Current financial payables due to banks	(3,298)	(3,007)
Financial payables for IFRS 16 application	(431)	(69)
Current payables due to COFILOISIR	(1,531)	0
Net current financial position	**2,739**	**9,387**
Financial payables for IFRS 16 application	(1,077)	0
Non-current payables due to banks	(3,037)	(1,322)
Net non-current financial position	**(4,114)**	**(1,322)**
Net financial debt as per comm. Consob DEM/6064293	**(1,375)**	**8,065**
Non-current receivables due from third parties	0	0
Consolidated net financial position	**(1,375)**	**8,065**

Financial ratios		
	2019	**2018**
ROI (EBIT / invested capital)	10%	-114%
ROS (EBIT / revenue)	27.35%	-280%
ROE (profit for the year / equity of the Group)	6.35%	-68%
Equity to non-current assets ratio (cons. equity+equity / NCA)	1.23	1.21
NFP / equity	0.02	-0.14

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, property, plant and equipment, rights of use on leased assets, investments (in other companies) and deferred tax assets.
Current assets: the item consists of trade receivables, tax credits, 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 property, plant and equipment, amortisation of rights of use 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 13.

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 above ratios show a substantial improvement in the income statement and statement of financial position compared to the previous year when a significant loss was reported against the positive result for the current year.

3.2 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)	**31/12/2019**	**31/12/2018**
Non-current fixed assets	**56,972**	**44,865**
Current assets	20,942	21,379
Current liabilities	(12,408)	(19,669)
Net working capital	**8,534**	**1,710**
Non-current liabilities	**(4,726)**	**(3,605)**
Invested capital	**60,780**	**42,970**
Net financial position	3,126	16,497
Shareholders' equity	**63,906**	**59,467**

Condensed statement of comprehensive income		
(Euro thousands)	**Annual 2019**	**Annual 2018**
Revenues	17,954	16,267
Capitalisation of internally produced animated series	1,113	1,087
Operating costs	(4,824)	(6,396)
EBITDA	**14,243**	**10,958**
Amortisation and depreciation, impairment, and provisions	(7,390)	(59,208)
EBIT	**6,853**	**(48,250)**
net finance income (expenses)	(1,192)	(1,843)
Profit (loss) of the period before tax	**5,661**	**(50,093)**
Income tax expense	(1,916)	11,393
Profit (loss) for the year	**3,746**	**(38,700)**
Earnings per share	**0.10**	**(1.15)**
Diluted earnings per share	**0.10**	**(1.15)**

Net financial position		
(Euro thousands)	**31.12.2019**	**31.12.2018**
Cash and cash equivalents	6,375	11,994
Current financial receivables	145	145
Current financial payables due to banks	(1,187)	(625)
Current financial payables for IFRS 16 application	(270)	0
Net current financial position	**5,063**	**11,514**
Non-current payables due to banks	(2,568)	(252)
Non-current financial payables for IFRS 16 application	(1,062)	0
Net non-current financial position	**(3,630)**	**(252)**
Net financial debt as per comm. Consob DEM/6064293	**1,433**	**11,262**
Non-current receivables	1,694	5,235
Net financial position	**3,127**	**16,497**

Financial ratios		
	2019	**2018**
ROI (EBIT/invested capital)	11%	-112%
ROS (EBIT/revenue)	38%	-297%
ROE (profit for the year/equity)	6.35%	-65%
Equity to non-current assets ratio (cons. equity+equity/NCA)	1.23	1.41
NFP/equity	0.02	-0.28

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, rights of use on leased assets, 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 property, plant and equipment, amortisation of rights of use 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 13 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.

4. LIBRARY INVESTMENTS, ACQUISITION AND INCORPORATION OF NEW COMPANIES AND SIGNIFICANT EVENTS IN 2019

4.1 INVESTMENTS IN LIBRARY

In 2019, 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*, *MeteoHeroes, Bat Pat second season* and *Yoohoo* by the Parent Company and *Rocky* by the subsidiary Mondo TV France.

Group Investments in Library (Euro thousands)		
Category	**31.12.2019**	**31.12.2018**
Animated series	13,419	25,957
Live series	289	1,837
Sub-total of investments in new productions	***13,708***	***27,794***
Temporary licenses – animation	266	657
Temporary licenses – live series	132	0
Total	**14,106**	**28,451**

4.2 ACQUISITION AND INCORPORATION OF NEW COMPANIES

During 2019, a minority stake was acquired in the UK-registered company Mars1982, a start-up operating in the online game sector for smartphones.
In Q1 2020, the holding increased to 51%; the total investment amounted to Euro 0.3 million.

4.3 SIGNIFICANT EVENTS OF 2019

The following are the significant transactions and events that occurred in 2019.

a) Relations with the Parent Company's main customers

In March, Mondo TV S.p.A. reached settlement agreements with three of the four Asian customers who had sent termination at the end of 2018 in relation to certain existing sales contracts.

In particular, an agreement was signed with the customer Broadvision Rights Ltd. on 14 March 2019 in which Mondo TV S.p.A. is entitled to retain any amounts already received for the animated series *Playtime Buddies* and regains full ownership of the distribution rights, while further payments by Broadvision Rights Ltd. for the series will cease.

- the animated series *Sissi third season* was halved, passing to 26 episodes, in a format that is in any case very commercial with an investment by Broadvision Rights Ltd. that fell to USD 2,400 thousand (originally USD 4,800 thousand);
- the minimum guaranteed amount of USD 500 thousand that Mondo TV S.p.A. should have paid to Broadvision Rights Ltd. was cancelled.

With regard to relations with Hong Kong Yiqi Culture, the companies have reached a settlement agreement whereby Mondo TV S.p.A. will retain the amount already collected, equal to approximately USD 11,900

thousand for the old library and USD 3,900 thousand for the part relating to the new productions, for a total of USD 15,800 thousand, waiving any further claims, however immediately returning to possession of the rights to exploit both the old library and the new series (*Duckport*, *Partidei* and *Beastkeepers*).
Accordingly, the parties mutually waive their right to take legal action with respect to the contracts governed by the settlement agreement, and the contracts relating to the animated series *Bat Pat 2* and *MeteoHeroes* shall continue as normal.

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

Finally, as regards relations with New Information Tech., on the basis of the information available, at the end of the 2019 financial year, the company was put into liquidation and therefore, the possibility of recovering the related receivable, fully allocated to the allowance for doubtful debts in the previous financial year, now seems remote.

b) Approval of 2019-2023 business plan

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

The economic and financial objectives at the consolidated level of the Group, confirmed by the same Board of Directors at its meeting of 29 March 2019 in light of the performance in Q1 2019, are summarised below:

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

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

During the preparation of these financial statements, no events arose that would require the approval of a new business plan or changes to the previously approved one.

c) Tax disputes

In HY1, Mondo TV S.p.A. underwent an audit by the Revenue Agency aimed at the offsets made in 2014 with the use of tax credits resulting from the transformation of deferred tax assets. The audit was concluded with the issuance, on 23 May 2019, of an assessment notice highlighting the disputes relating to the year 2014 for an amount of approximately Euro 1.1 million plus penalties and interest.
The same notice contains a communication to the offices and the company regarding the use of the tax credit in other years for the period 2012-2019.
On 20 December 2019, the Revenue Agency issued in relation to this notice, communication of recovery of the offsets made in 2012 through the tax credit generated by the conversion of deferred tax assets (DTA) into tax credits carried out pursuant to article 2, paragraphs 55-58, Decree Law No. 225/2010, for an amount of Euro 2,328 thousand plus penalties of Euro 2,328 thousand and interest of Euro 678 thousand for a total amount of Euro 5,336 thousand.

On 10 February 2020, an ample appeal was promptly filed against the aforementioned notice, since, in the opinion of the professionals in charge of defending the company against the litigation, there were very valid elements both of a formal nature (relating to the forfeiture of the taxation power) and of a substantial nature (relating to the formation of DTA statutory credits and their conversion into DTA tax credits), to oppose the subject matter of the recovery notice. In any case, the appeal was preceded by a request for self-defence, in order to keep the dialogue with the Agency open, which also continued by sending further documentation.

d) Trade agreements

On 20 June 2019, Mondo TV S.p.A. and Mondo TV Suisse S.A. entered into a new strategic cooperation agreement for the development, co-production and distribution of at least eight 3D CGI animated television series over the next four years with German company Toon2Tango GmbH, a new venture founded by Hans Ulrich Stoef, former CEO of M4E and Chair of Studio 100.

The agreement establishes a preferential path for the parties to cooperate in the development and production of new properties, created or discovered by Toon2Tango: the new projects will all be of high quality and will have a strong merchandise appeal and will be targeted to the global market with a special initial focus on European countries and the main broadcasters and relevant digital platforms. As co-producers, the parties will co-own the intellectual property underlying the series produced and will share all revenues from the exploitation of the series.

In terms of distribution, the parties will cooperate on multi-territory agreements but will operate independently in certain countries; specifically in Europe, Toon2Tango will be responsible for distribution in Germany, Austria, Switzerland, the UK and Ireland, Scandinavia and the Benelux, while Mondo will be responsible for distribution in all other European countries. Distribution includes both audiovisual rights and all licensing and merchandising rights.
During 2019, the development of the animated series Agent 203 and four additional projects has been initiated.

On 4 July, an agreement was announced with the Korean company CJ, one of the most important media companies in South Korea, for the production of the third season of the animated series Robot Trains.

Also in July, an agreement was reached with the Korean company Vooz for the production of the animated series *Goodoil Family*.

e) Other significant events

In July, the subsidiary Mondo TV France S.A. requested the issue of the last 3 tranches of Atlas convertible bonds for a total counter-value of Euro 750 thousand, which will be fully converted into shares in 2019.

The subsidiary Mondo TV Iberoamérica launched a capital increase of Euro 3.5 million in September, with the aim of restoring equity and financial equilibrium and allowing the development of its business plan through new investments; this capital increase was concluded in October with the full subscription of the new shares.

In December, noting the difficulty of Chinese customers in making large payments outside of China, an agreement was reached for direct payment, on behalf of Mondo TV S.p.A, by two of its customers, Harmony Technology and Hong Kong Nine Technology, for Euro 1.8 million and Euro 7.8 million, respectively, to two animation service providers of the parent company, also based in China and Hong Kong, Henan York Animation Studios and Hong Kong HZ Media LTD. The agreement allowed for the sale of a total of Euro 9.6 million in receivables, while at the same time reducing exposure to two strategic suppliers for Mondo TV.

5. INFORMATION ON SHAREHOLDERS AND THE SHARE PRICE

Mondo TV S.p.A.'s shareholding structure as at 31 December 2019 was as follows:

Largest shareholders			
		no. of shares	**%**
Giuliana Bertozzi		7,294,000	20.03%
Matteo Corradi		2,550,000	7.00%
Monica Corradi		2,015,092	5.53%
Riccardo Corradi		2,130,092	5.85%
	Sub-total	**13,989,184**	**38.42%**
Other shareholders		22,425,028	61.58%
		36,414,212	**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 share price trend went from Euro 1.19 on 28 December 2018 to a low of 0.94 cents recorded on 4 June, to close the year at Euro 2.39. Following the crisis in the financial markets as a result of the Coronavirus, the price then fell in 2020 to a low of Euro 1.14, before recovering.

At the date of approval of this report, the stock was quoted at Euro 1.80 with a market capitalisation of approximately Euro 66 million.

6. BUSINESS OUTLOOK, MAIN RELEVANT RISKS

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

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

1. Financial Risks

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

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

a) <u>Credit risk</u>

Credit risk represents the Group companies' exposure to potential losses arising from the non-fulfilment of the obligations assumed by the counterparties.
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
The positions for which a risk of partial or total non-collectability is noted, are subject to individual impairment.
Performing trade receivables have not been impaired since no significant indication of impairment emerged,

based on an analysis conducted that took into account both the reliability of the individual customers, and the high distribution of credit risk.

b) Liquidity risk

Liquidity risk represents the risk that the financial resources might not be available or may be available at a cost so high that profit (loss) for the year may be affected.
In this regard, in order to be best protected against these risks, the Mondo TV Group adopts a policy for the optimization of the debt mix between short and medium/long-term and, as part of the short-term lines, a policy for diversification of the banking lines and institutions.
Moreover, the Group has a cash reserve of approximately Euro 8 million as at 31 December 2019.

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 2019:

	CREDIT LINES - MONDO TV GROUP - 31.12.2019			
(values in Euro millions)	**Cash**	**Trade**	**Loans**	**Total**
UBS	0	1.00	0	**1.00**
Raiffeisen	0	0	2.30	**2.30**
Credit Suisse	0	0.25	0	**0.25**
CREDEM	0	0.40	0	**0.40**
CREDEM FACTORING	0	1.00	0	**1.00**
SIMEST	0	0	0.10	**0.10**
Credit Agricole	0	0.50	0.50	**1.00**
Veneto Banca	0	0	0.10	**0.10**
Total	**0**	**3.15**	**3.00**	**6.15**

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 2019:

	CREDIT LINES - MONDO TV SPA - 31.12.2019			
(values in Euro millions)	**Cash**	**Trade**	**Loans**	**Total**
Raiffeisen	0	0	2.30	**2.30**
Credit Agricole	0	0.50	0.50	**1.00**
CREDEM	0	0.40	0	**0.40**
CREDEM FACTORING	0	1.00	0	**1.00**
SIMEST	0	0	0.10	**0.10**
Veneto Banca	0	0	0.10	**0.10**
Total	**0**	**1.90**	**3.00**	**4.90**

c) Exchange rate risk

The Group has an exposure arising from currency transactions (US dollars). Such exposure is generated mainly by library sales, production contracts of animated series with suppliers 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.

d) Interest rate risk

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

2. Risks associated with dependency on key managers

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

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

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

4. Risks associated with litigation

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

5. Risks associated with the Group companies' tax position

In HY1, Mondo TV S.p.A. underwent an audit by the Revenue Agency aimed at the offsets made in 2014 with the use of tax credits resulting from the transformation of deferred tax assets. The audit was concluded with the issuance, on 23 May 2019, of an assessment notice highlighting the disputes relating to the year 2014 for an amount of approximately Euro 1.1 million plus penalties and interest.
The same notice contains a communication to the offices and the company regarding the use of the tax credit in other years for the period 2012-2019.
On 20 December 2019, the Revenue Agency issued in relation to this notice, communication of recovery of the offsets made in 2012 through the tax credit generated by the conversion of deferred tax assets (DTA) into tax credits carried out pursuant to article 2, paragraphs 55-58, Decree Law No. 225/2010, for an amount of Euro 2,328 thousand plus penalties of Euro 2,328 thousand and interest of Euro 678 thousand for a total amount of Euro 5,336 thousand.
On 10 February 2020, an ample appeal was promptly filed against the aforementioned notice, since, in the opinion of the professionals in charge of defending the company against the litigation, there were very valid elements both of a formal nature (relating to the forfeiture of the taxation power) and of a substantial nature (relating to the formation of DTA statutory credits and their conversion into DTA tax credits), to oppose the subject matter of the recovery notice. In any case, the appeal was preceded by a request for self-defence, in order to keep the dialogue with the Agency open, which also continued by sending further documentation.

In view of the above, the risk of losing the case has been assessed by the Directors, also taking into account the opinion of the consultants appointed, as possible but not probable. Consequently, no provision has been made in the financial statements.

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

The going concern assumption is a fundamental principle in the preparation of financial statements. On the basis of this assumption, technically the company is normally considered capable of continuing to carry on its business in the foreseeable future (at least 12 months from the reporting date) without there being any intention or need to put it into liquidation, cease business or subject it to bankruptcy proceedings as required by law or regulations. Assets and liabilities are therefore accounted for on the basis of the assumption that the company

is able to realise its assets and meet its liabilities in the normal course of business.
In preparing the financial statements, management shall make an assessment of the entity's ability to continue as an operating entity. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease business, or has no realistic alternative but to do so. If management is aware, in making its assessments, of material uncertainties related to events or conditions that may cast significant doubt about the entity's ability to continue as an operating entity, the entity shall disclose those uncertainties.

The following are the elements or circumstances taken into consideration that may constitute a state of risk:

a) the deterioration of the international economic environment;
b) delays in the collection of trade receivables that arose in previous years;
c) the Company's involvement in tax disputes which, if unsuccessful, could give rise to significant liabilities;
d) the death of founder Orlando Corradi at the end of 2018 removed the creative figure of reference for Mondo TV S.p.A.

The Directors believe that the parent company Mondo TV S.p.A. and the Group as a whole have adequate financial strength and adequate resources to continue operating in the foreseeable future and, consequently, have adopted the going concern basis for the preparation of the annual and consolidated financial statements as at 31 December 2019.

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

1. <u>Financial indicators</u>

- The group has liquid assets totalling Euro 8 million.
- Short-term financial indebtedness, which is not significant overall, is covered by assets.
- There are no signs/indications of cessation of financial support from lenders and other creditors.
- The forms of payment are generally respected and no significant forms of credit recovery and/or enforcement have been activated.

2. <u>Operating indicators</u>

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

3. <u>Other indicators</u>

- The Group, and in particular the Parent Company Mondo TV S.p.A., are strongly capitalised (equity is well above the legal limits).
- Present tax disputes are managed carefully, also with the support of external experts.
- No legislative changes or government policies are expected to have an adverse effect on the Company.

In view of the above, the Directors, while taking into account the uncertainties caused by changes in the economic environment, due in part to the Covid 19 crisis, believe that it is reasonable to expect that the Company and the Group will have access to adequate financial resources to continue operating in the foreseeable future and, consequently, have adopted the going concern basis for the preparation of the annual consolidated financial statements at 31 December 2019.

8. HUMAN RESOURCES AND RESEARCH AND DEVELOPMENT ACTIVITIES

As at 31 December 2019, the Group had 51 employees, of which 4 executives, 47 white-collar workers and middle managers, up 2 employees compared to 31 December 2018. The breakdown of employees by company is as follows: Mondo TV S.p.A. 25 employees, Mondo TV France S.A. 4 employees, Mondo TV Suisse S.A. 3 employees, Mondo TV Iberoamerica S.A. 5 employees and Mondo TV Producciones Canarias S.L.U. 14 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.

9. TREASURY SHARES

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

10. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

To date, there have been no events after 31 December 2019 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the Financial Statements.

In Q1 2020, the collaboration with the German company Toon2Tango was strengthened, 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.

As of today, no significant impact is expected from the crisis relating to COVID-19, 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; 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; moreover, the media sector currently seems to be one of the least affected by the emergency; on the contrary, the audience for children's television channels is currently increasing and this could represent a business opportunity for the Group in the coming months.

In light of the above, the Board of Directors currently believes that the crisis relating to COVID-19 will not produce significant risks on the carrying value of the assets of Group companies (libraries, equity investments, trade receivables and deferred tax assets) and in general on business continuity.

11. RELATED PARTY AND INTRA-GROUP TRANSACTIONS

11.1 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 and directors.

The table below shows the costs and financial payables associated with the above-mentioned transactions at 31 December 2019.

(Euro thousands)	**Receivables**	**Costs**	**Payables**	**Right of use leased assets**	**Financial payables on leased assets**	**Nature of the transactions**
Remuneration of directors and executives						
Matteo Corradi	0	181	20	0	0	Chair and CEO
Monica Corradi	0	92	0	0	0	Director
Aurelio Fedele	0	20	10	0	0	Independent Director
Angelica Mola	0	13	6	0	0	Independent Director
Carlo Marchetti	0	157*	48	0	0	Director
Totals	**0**	**463**	**84**	**0**	**0**	
Real-estate and service companies						
Trilateral Land S.r.l.	26	404	0	1,112	1,273	Office leasing
Totals	**26**	**867**	**84**	**1,112**	**1,273**	

* Of which Euro 96 thousand as Parent Company executive compensation and Euro 61 thousand as Board Director of the Parent Company and some subsidiaries.

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.

11.2 INTRA-GROUP 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 2019 are described below (eliminated in the consolidated financial statements):

Mondo TV France S.A.
In 2019, 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 131 thousand.

Mondo TV Iberoamerica S.A.
In previous years, Mondo TV S.p.A. granted interest-bearing loans to the subsidiary for the production of the

live series *Heidi* and for the financial support of its cash requirements; this loan has a term of three years and is remunerated at a rate equal to three-month Euribor increased by 3%; at 31 December 2019, it amounted to Euro 1,694 thousand (Euro 5,235 thousand at 31 December 2018); on the loan granted by the parent company to the subsidiary, interest was charged during the year for an amount of Euro 72 thousand. In addition, during the year, Mondo TV S.p.A. acquired distribution rights for the animated series Heidi, first season, in some territories, for Euro 400 thousand.
The subsidiary charged the Parent Company, in relation to its status as listed company, costs for a total amount of Euro 128 thousand.

Mondo TV Producciones Canarias S.L.U.
During the financial year, in relation to the production contracts for the animated series *Invention Story, Nina & Olga, Robot Trains* and *Goodoil*, the study of models and backgrounds was carried out for an amount of Euro 717 thousand, which represents an investment in the Mondo TV S.p.A. library; Mondo TV S.p.A. also acquired the distribution rights for the animated series *Heidi second season* for some territories for Euro 775 thousand. Lastly, the subsidiary charged costs to the parent company in the amount of Euro 56 thousand, mainly for the reversal of commercial personnel costs for services rendered to Mondo TV S.p.A.

Mondo TV Suisse S.A.
Mondo TV S.p.A. realizes the executive productions for contracts acquired by the subsidiary. Transactions are governed by a specific framework contract that basically envisages a production cost for Mondo TV Suisse of 85% of the amount paid by the final customer.

In particular, Mondo TV charged production costs in 2019 related to the animated series *Yohoo to the Rescue* in the amount of Euro 357 thousand.

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 64 thousand.

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

11.3 RELATED PARTIES OF THE PARENT

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

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

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

The table below shows the costs and financial payables of Mondo TV S.p.A. associated with the above-mentioned transactions at 31 December 2019:

Remuneration of directors				
(Euro thousands)	**Receivables**	**Payables**	**Costs**	**Revenues**
Monica Corradi	0	0	92	0
Matteo Corradi	0	0	51	0
Aurelio Fedele	0	10	20	0
Angelica Mola	0	6	13	0
Carlo Marchetti	0	15	111	0
Total for directors	**0**	**31**	**288**	**0**

Other related parties					
(Euro thousands)	**Financial payables**	**Receivables**	**Payables**	**Costs**	**Revenues**
Trilateral Land S.r.l.	1,273	26	0	404	0
TOTAL	**1,273**	**26**	**0**	**404**	**0**

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

11.4 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 2019 are described below:

Mondo TV France S.A.
In 2019, 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 131 thousand.

Mondo TV Iberoamerica S.A.
In previous years, Mondo TV S.p.A. granted interest-bearing loans to the subsidiary for the production of the live series *Heidi* and for the financial support of its cash requirements; this loan has a term of three years and is remunerated at a rate equal to three-month Euribor increased by 3%; at 31 December 2019, it amounted to Euro 1,694 thousand (Euro 5,235 thousand at 31 December 2018); on the loan granted by the parent company to the subsidiary, interest was charged for an amount of Euro 72 thousand. In addition, during the year, Mondo TV S.p.A. acquired distribution rights for the animated series Heidi, first season, in some territories, for Euro 400 thousand.
The subsidiary charged the Parent Company, in relation to its status as listed company, costs for a total amount of Euro 128 thousand.

Mondo TV Producciones Canarias S.L.U.
During the financial year, in relation to the production contracts for the animated series *Invention Story, Nina & Olga, Robot Trains* and *Goodoil*, the study of models and backgrounds was carried out for an amount of Euro 717 thousand, which represents an investment in the Mondo TV S.p.A. library; Mondo TV S.p.A. also acquired the distribution rights for the animated series *Heidi second season* for some territories for Euro 775 thousand.

Lastly, the subsidiary charged costs to the parent company in the amount of Euro 56 thousand, mainly for the reversal of commercial personnel costs for services rendered to Mondo TV S.p.A.

Mondo TV Suisse S.A.
Mondo TV S.p.A. realizes the executive productions for contracts acquired by the subsidiary. Transactions are governed by a specific framework contract that basically envisages a production cost for Mondo TV Suisse of 85% of the amount paid by the final customer.
In particular, Mondo TV charged production costs in 2019 related to the animated series *Yohoo to the Rescue* in the amount of Euro 357 thousand.
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 64 thousand.

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

Transactions with direct and indirect subsidiaries

(Euro thousands)	Financial receivables	Trade receivables	Payables	Costs	Revenues
Mondo TV France	0	0	298	131	0
Mondo TV Suisse	0	76	703	65	357
Mondo TV Iberoamerica	1,694	0	778	128	72
Mondo TV Canarie	0	0	1,177	57	0
Mondo TV Toys	145	0	0	0	0
TOTAL	**1,839**	**76**	**2,956**	**380**	**429**

The table below shows total transactions with directors, related parties and subsidiaries in 2019.

Transactions with Group companies and related parties

(Euro thousands)	Financial payables (leases)	Financial receivables	Trade receivables	Payables	Costs	Revenues
Transactions with directors	0	0	0	31	288	0
Transactions with other related parties	1,273	0	26	0	404	0
Transactions with subsidiaries	0	1,839	76	2,956	380	429
Total	**1,273**	**1,839**	**102**	**2,987**	**1,071**	**429**

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

The reconciliation of the Parent's equity as at 31 December 2019 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. Statutory Financial Statements	**3,746**	**63,906**
Individual data of the subsidiaries	1,195	8,802
Eliminations of the carrying amount of net equity investments	0	(12,139)
Intra-group adjustments	(1,040)	1,004
Attribution of subsidiaries' equity to non-controlling interests	(69)	(1,211)
Consolidated Financial Statements	**3,832**	**60,362**

13. DEADLINES FOR APPROVAL OF FINANCIAL STATEMENTS

Due to the measures taken in connection with the Covid19 epidemiological emergency, the Parent Company took advantage of the extended statutory deadlines for the approval of its financial statements.

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

With reference to the profit for the year of Euro 3,745,605, it is proposed that Euro 187,280 be allocated to the legal reserve and Euro 3,558,325 be carried forward.

Rome, 30 March 2020

On behalf of the Board of Directors

Chief Executive Officer
Matteo Corradi

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES AS AT 31 DECEMBER 2019

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of financial position

(Euro thousands)	Notes	31/12/2019	31/12/2018
Non-current assets			
- Intangible rights	*5*	*35,733*	*30,888*
- Other intangible assets	*5*	*40*	*29*
Intangible assets	5	35,773	30,917
Property, plant and equipment	5	246	369
Rights of use on leased assets	6	1,372	0
Equity investments	5	95	0
Deferred tax assets	7	12,965	14,680
Receivables	8	41	31
		50,492	**45,997**
Current assets			
Trade receivables	8	24,857	20,622
Tax assets	7	2,562	3,688
Other assets	9	262	462
Cash and cash equivalents	10	7,999	12,463
		35,680	**37,235**
Total assets		**86,172**	**83,232**
- Share capital		*18,207*	*18,207*
- Share premium		*30,778*	*45,868*
- Legal reserve		*3,062*	*3,062*
- Other reserves		*7,971*	*9,774*
- Retained earnings (losses)		*(3,489)*	*20,784*
- Profit (loss) for the year		*3,832*	*(39,514)*
Equity attributable to owners of the Parent		60,361	58,181
Non-controlling interests		1,211	(2,071)
Total equity	11	**61,572**	**56,110**
Non-current liabilities			
Provision for post-employment benefits	12	566	545
Deferred tax liabilities	7	66	66
Financial payables	13	3,037	1,322
Non-current financial payables on leased assets	13	1,077	0
		4,746	**1,933**
Current liabilities			
Provisions for risks and charges	12	27	27
Trade payables	13	13,771	21,631
Financial payables	13	4,829	3,007
Current financial payables on leased assets	13	431	69
Tax liabilities	7	796	455
		19,854	**25,189**
Total liabilities		**24,600**	**27,122**
Total liabilities + equity		**86,172**	**83,232**

CONSOLIDATED SEPARATE INCOME STATEMENT

Income statement for the year ended 31 December 2013			
(Euro thousands)	**Notes**	**2019**	**2018**
Revenue from sales and services	17	23,056	18,914
Other income	17	134	584
Capitalisation of internally produced animated series	18	3,493	2,701
Raw materials, consumables and goods	19	(59)	(57)
Personnel costs	20	(4,073)	(3,816)
Amortisation and impairment of intangible assets	21	(9,264)	(41,701)
Depreciation and impairment of property, plant and equipment	21	(95)	(140)
Amortisation of rights of use	21	(580)	0
Allowance for doubtful debts	21	(157)	(23,879)
Other operating costs	22	(6,111)	(7,131)
EBIT		**6,344**	**(54,525)**
Finance income	23	328	1,431
Financial expenses	23	(662)	(924)
Profit (loss) of the period before tax		**6,010**	**(54,018)**
Income tax expense	24	(2,109)	11,513
Net profit for the period		**3,901**	**(42,505)**
Profit (loss) for the year attributable to non-controlling interests		69	(2,991)
Profit (loss) attributable to owners of the Parent		**3,832**	**(39,514)**
Earnings per share (basic and diluted)		**0.11**	**(1.17)**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Statement of comprehensive income		
(Euro thousands)	**31.12.2019**	**31.12.2018**
Net profit (loss) for the year	3,901	(42,505)
Other profits (losses) recognized in equity	1,719	209
Total net profit (loss)	**5,620**	**(42,296)**
Total profit (loss) attributable to non-controlling interests	3,260	(2,991)
Total profit (loss) attributable to the Group	**2,360**	**(39,305)**

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 31.12.2017	**15,308**	**2,642**	**7,967**	**27,767**	**10,639**	**12,817**	**77,140**	**569**	**77,709**
Transactions with shareholders recognised in equity:									
Atlas capital increase	2,899			18,101	(660)		20,340		20,340
Items of comprehensive income for the year:									-
Allocation of profit (loss) for the year 2017		419	12,398			(12,817)	-		-
Disposal of shares of subsidiaries					212		212	351	563
Translation reserve Mondo TV Suisse					6		6		6
Other changes					(3)		(3)		(3)
Result for the period						(39,514)	(39,514)	(2,991)	(42,505)
Consolidated Financial Statements as at 31.12.2018	**18,207**	**3,061**	**20,365**	**45,868**	**10,194**	**(39,514)**	**58,181**	**(2,071)**	**56,110**
Adoption IFRS 16			(205)				(205)	(6)	(211)
Adjusted balance as of 1 January 2019	**18,207**	**3,061**	**20,160**	**45,868**	**10,194**	**(39,514)**	**57,976**	**(2,077)**	**55,899**
Transactions with shareholders recognised in equity:									
Items of comprehensive income for the year:									-
Allocation of loss for the year 2018			(23,708)	(15,090)	(716)	39,514	-		-
Transactions subsidiary shares					(1,442)		(1,442)	3,191	1,749
Translation reserve Mondo TV Suisse					26		26	23	49
Actuarial effect of employee benefits					(30)		(30)		(30)
Other changes					(1)		(1)	5	4
Result for the period						3,832	3,832	69	3,901

Consolidated Financial Statements as at 31.12.2019	**18,207**	**3,061**	**(3,548)**	**30,778**	**8,031**	**3,832**	**60,361**	**1,211**	**61,572**

For further information on equity, reference should be made to note no. 11.

CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement		
(Euro thousands)	**2019**	**2018**
A. OPENING CASH AND CASH EQUIVALENTS	**12,463**	**2,408**
Group profit (loss) of the period	3,832	(39,514)
Profit (loss) for the year attributable to non-controlling interests	69	(2,991)
Total profit (loss) of the period	3,901	(42,505)
Depreciation, amortisation and impairment	10,096	65,720
Net change in provisions	21	36
Deferred taxes	1,715	(11,578)
Cash flow from (used in) operating activities before changes in working capital	**15,733**	**11,673**
(Increase) decrease in trade receivables	(4,402)	2,779
(Increase) decrease in tax assets	1,126	224
(Increase) decrease in other assets	200	(128)
Increase (decrease) in trade payables	(7,860)	6,963
Increase (decrease) in tax liabilities	341	(198)
Increase (decrease) in other liabilities	0	(3,611)
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	**5,138**	**17,702**
(Acquisition) / Disposal of		
- Intangible assets	(14,120)	(28,470)
- Property, plant and equipment	(72)	(122)
- Rights of use on leased assets	(18)	0
- Financial assets	(95)	0
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(14,305)**	**(28,592)**
Changes in capital	1,766	20,906
Increase (decrease) in financial payables	2,937	39
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	**4,703**	**20,945**
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	**(4,464)**	**10,055**
F. CLOSING CASH AND CASH EQUIVALENTS	**7,999**	**12,463**

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)	**31.12.2019**	**related parties**	**31.12.2018**	**related parties**
Non-current assets				
- Intangible rights	*35,733*		*30,888*	
- Other intangible assets	*40*		*29*	
Intangible assets	35,773		30,917	
Property, plant and equipment	246		369	
Rights of use on leased assets	1,372	1,112	0	
Equity investments	95		0	
Deferred tax assets	12,965		14,680	
Receivables	41		31	
	50,492		**45,997**	
Current assets				
Trade receivables	24,857	26	20,622	32
Tax assets	2,562		3,688	
Other assets	262		462	
Cash and cash equivalents	7,999		12,463	
	35,680		**37,235**	
Total assets	**86,172**		**83,232**	
- Share capital	18,207		18,207	
- Share premium	30,778		45,868	
- Legal reserve	3,062		3,062	
- Other reserves	7,971		9,774	
- Retained losses	(3,489)		20,784	
- Profit (loss) for the year	3,832		(39,514)	
Equity attributable to owners of the Parent	60,361		58,181	
Non-controlling interests	1,211		(2,071)	
Total equity	**61,572**		**56,110**	
Non-current liabilities				
Provision for post-employment benefits	566		545	
Provisions for risks and charges	0		0	
Deferred tax liabilities	66		66	
Financial payables	3,037		1,322	
Non-current financial payables on leased assets	1,077	1,062		
	4,746		**1,933**	

Current liabilities				
Provisions for risks and charges	27		27	
Trade payables	13,771	84	21,631	31
Financial payables	4,829	211	3,007	
Current financial payables on leased assets	431		69	
Tax liabilities	796		455	
	19,854		**25,189**	
Total liabilities	**24,600**		**27,122**	
Total liabilities + equity	**86,172**		**83,232**	

Consolidated income statement for the year ended 31 December 2013

(Euro thousands)	2019	of which with related parties	2018	of which with related parties
Revenue from sales and services	23,056		16,061	
Other income	134		70	
Capitalisation of internally produced animated series	3,493		1,130	
Raw materials, consumables and goods	(59)		(33)	
Personnel costs	(4,073)	(96)	(1,845)	(48)
Amortisation and impairment of intangible assets	(9,264)		(3,405)	
Depreciation and impairment of property, plant and equipment	(95)		(66)	
Amortisation of rights of use	(580)	(374)	0	
Allowance for doubtful debts	(157)		(510)	
Other operating costs	(6,111)	(367)	(2,447)	(469)
EBIT	**6,344**		**8,955**	
Finance income	328		1,121	
Financial expenses	(662)	(30)	(624)	
Profit (loss) of the period before tax	**6,010**		**9,452**	
Income tax expense	(2,109)		(2,824)	
Net profit for the period	**3,901**		**6,628**	
Profit (loss) for the year attributable to non-controlling interests	69		(182)	
Profit (loss) attributable to owners of the Parent	**3,832**		**6,810**	

Consolidated cash flow statement with related parties				
(Euro thousands)	**2019**	**related parties**	**2018**	**related parties**
A. OPENING CASH AND CASH EQUIVALENTS	**12,463**		**2,408**	
Group profit (loss) of the period	3,832	-	(39,514)	-
Profit (loss) for the year attributable to non-controlling interests	69	-	(2,991)	-
Total profit (loss) of the period	3,901	-	(42,505)	-
Depreciation, amortisation and impairment	10,096	-	65,720	-
Net change in provisions	21	-	36	-
Deferred taxes	1,715		(11,578)	
Cash flow from (used in) operating activities before changes in working capital	**15,733**		**11,673**	
(Increase) decrease in trade receivables	(4,402)	6	2,779	136
(Increase) decrease in tax assets	1,126	-	224	-
(Increase) decrease in other assets	200	-	(128)	-
Increase (decrease) in trade payables	(7,860)	53	6,963	(417)
Increase (decrease) in tax liabilities	341	-	(198)	-
Increase (decrease) in other liabilities	0	-	(3,611)	-
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	**5,138**		**17,702**	
(Acquisition) / Disposal of				
- Intangible assets	(14,120)	-	(28,470)	-
- Property, plant and equipment	(72)	-	(122)	-
- Rights of use on leased assets	(18)	-	0	
- Financial assets	(95)	-	0	-
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(14,305)**		**(28,592)**	
Changes in capital	1,766	-	20,906	-
Increase (decrease) in financial payables	2,937	-	39	-
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	**4,703**		**20,945**	
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	**(4,464)**		**10,055**	
F. CLOSING CASH AND CASH EQUIVALENTS	**7,999**		**12,463**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 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.).

These Financial Statements were approved by the Board of Directors' meeting of 30 March 2020 which authorised their publication on that same date and convened the General Meeting for relevant approval on 13 May 2020 (single call).
Due to the measures taken in connection with the Covid19 epidemiological emergency, the Parent Company took advantage of the extended statutory deadlines for the approval of its financial statements.

The Financial Statements are subject to audit by BDO Italia S.p.A.

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

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

In compliance with Regulation (EC) no. 1606/2002 of 19 July 2002 and Legislative Decree no. 38 of 28 February 2005, the Consolidated Financial Statements of the Mondo TV Group as at 31 December 2019 have been prepared in accordance with International Accounting Standards IAS/IFRS (hereinafter IFRS) approved by the European Commission pursuant to Regulation (EC) no. 1606/2002, integrated by the relative interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standards Board (IASB) and in force at year-end.

The consolidated financial statements consist of the consolidated statement of financial position, the consolidated separate income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the statement of changes in consolidated 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 principles applied to these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2018 except for the adoption of the new accounting standard IFRS 16 (Leases) applied from 1 January 2019, the effects of which are explained in Note 3 Accounting standards and measurement bases to which reference is made for further details.

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

The consolidated statement of financial position, 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 2018.

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 2019 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 2019 are classified by nature.

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

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

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

Note 2 Consolidation

(a) Scope of consolidation

The Mondo TV Group's Consolidated Financial Statements as at 31 December 2019 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 2019, use has been made of the Financial Statements as at 31 December 2019 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.

(d) Change in the scope of consolidation

Compared to 31 December 2018, the percentages of investment in Mondo TV France, Mondo TV Iberoamerica and Mondo TV Suisse have changed, already controlled and consolidated using the full method in the previous year.

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

The balance sheet as at 31 December 2019 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.

Note 3 Accounting standards and measurement bases

The most significant measurement bases adopted for drafting the Consolidated Financial Statements are detailed below.

Intangible rights and other intangible assets

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

If availability of and payment for an intangible asset acquired are deferred beyond normal terms, the purchase price and the corresponding payable are discounted by recognising the finance costs implicit in the original price.
All rights on films and animated series that constitute the Library of the Companies are 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.

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

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

Trade and other receivables

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

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

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

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

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

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

Financial assets

Investments in other companies are measured at fair value or, if the development plans of their assets are not available, at cost adjusted for impairment, if any.
During the year, no impairment indicators were identified and for this reason, no impairment test was carried out.

Therefore, based on the information held by the Group, in this case there are no indications that the cost deviates significantly from their fair value

Cash and cash equivalents

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

Trade payables

The fair value of trade payables, recorded under the “current” items of the statement of financial position and measured using the amortised cost method, does not diverge from the carrying amounts as at 31 December 2019 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 (including financial liabilities on leased assets)

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

Revenues from sales and services are recognised respectively upon the effective transfer of the control deriving from the sale of the property or upon the performance of the service.
In particular, in accordance with international accounting standard IFRS 15 (Revenue from Contracts with Customers), revenues for the Group's main types of sales are recognised according to the following criteria:

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

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

Lease transactions

On the basis of the provisions of IFRS 16, the accounting treatment of lease contracts payable (which do not constitute the provision of services), takes place through the recognition in the statement of financial position of a financial liability, represented by the present value of future fees, against the recognition in assets of the right of use of the leased asset at fair value at the contract stipulation date, or, if lower, at the present value of the minimum payments due for the lease or rental. This liability is subsequently adjusted over the term of the lease contract to reflect the payment of interest on the debt and the repayment of the principal; the right of use of the leased asset is amortised over the term of the contract.

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 2018 have been applied, except as outlined below.

NEW STANDARDS AND INTERPRETATIONS ENDORSED BY THE EU AND IN FORCE FROM 1 JANUARY 2019

In accordance with IAS 8 (Accounting standards, changes in accounting estimates and errors), the IFRS effective from the 1 January 2019 are indicated and briefly illustrated below.

- **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).

Group companies have adopted the accounting standard from 1 January 2019. In particular, as permitted by the same standard, the Mondo TV Group has applied the simplified retrospective method, with the recognition of the cumulative effect of the first application of the standard as an adjustment to opening shareholders' equity, leaving the previous comparative periods unchanged.

On the basis of the provisions of IFRS 16, the accounting treatment of lease contracts payable (which do not constitute the provision of services), takes place through the recognition in the statement of financial position of a financial liability, represented by the present value of future fees, against the recognition in assets of the right of use of the leased asset. This liability is subsequently adjusted over the term of the lease contract to reflect the payment of interest on the debt and the repayment of the principal; the right of use of the leased asset is amortised over the term of the contract. Compared with the previous method of accounting under IAS 17, which required the recognition of operating costs for non-financial leases, the adoption of IFRS 16 resulted in lower operating costs and higher depreciation, amortisation and financial expenses; moreover, unlike as was required by the previous standard, lessees are no longer required to distinguish between financial lease and operating lease.

At the transition date (1 January 2019), for leases previously classified under IAS 17 as operating leases, the Mondo TV Group applied the simplified retrospective method with the recognition of the financial liability for leases and the corresponding right-of-use value measured on the remaining contractual lease fees at the transition date. Within the Group, contracts falling within the scope of IFRS 16 mainly refer to:

- buildings for office and industrial use,
- industrial equipment

With reference to the options and exemptions provided by IFRS 16, the following choices were made:

- IFRS 16 was not generally applied to intangible assets, contracts of short duration (i.e. less than 12 months) and of low unit value;
- rights of use and financial liabilities relating to lease contracts have been classified under specific items in the statement of financial position;
- contracts with similar characteristics have been valued using a single discount rate;
- lease contracts previously valued as finance leases in accordance with IAS 17 have maintained the values previously recorded, in full continuity with the past.

IFRS 16 has been applied as of 1 January 2019, making use of the possibility, permitted by the transitional provisions of the accounting standard, to recognize the effect related to the retroactive restatement of the values in equity at 1 January 2019, without restating the previous periods compared (in application of the modified retrospective approach). Specifically, the adoption of IFRS 16 resulted in the recognition of an asset for Rights of use for Euro 1.9 million and a financial liability for Euro 2.1 million.
In this regard, upon first application, Mondo TV referred to the following practical expedients and/or options envisaged by the accounting standard:

- possibility of not reviewing any existing contract already existing at 1 January 2019, applying IFRS 16 to contracts previously identified as leases (pursuant to IAS 17 and IFRIC 4) and not applying IFRS 16 to contracts that were not classified as leases;
- possibility, with reference to contracts previously classified as operating leases, of recognising the right-of-use asset at its carrying amount, as if IFRS 16 had been applied from the effective date but discounted using a marginal borrowing rate at the date of initial application;
- possibility of verifying the recoverability of assets for right of use at 1 January 2019 with regard to the possible existence, at 31 December 2018, of provisions for interest-bearing contracts;
- possibility of not considering initial direct costs in determining the carrying amount of assets for right of use at 1 January 2019.

The adoption of the new accounting standard IFRS 16 has resulted in the Mondo TV Group recording more non-current assets due to the recognition of Rights of use on leased assets as balancing entry of higher financial liabilities.
The impact of the transition on the main items in the consolidated statement of financial position is summarised below:

(Euro thousands)	31.12.2018	Reclassifications (*)	Impacts IFRS 16 (**)	01.01.2019 restated

Non-current assets				
- Intangible rights	*30,888*			*30,888*
- Other intangible assets	*29*			*29*
Intangible assets	30,917	0	0	30,917
Property, plant and equipment	369	(99)		270
Rights of use on leased assets		99	1,840	1,939
Equity investments	0			0
Deferred tax assets	14,680			14,680
Receivables	31			31
	45,997	**0**	**1,840**	**47,837**
Current assets				
Trade receivables	20,622			20,622
Tax assets	3,688			3,688
Other assets	462			462
Cash and cash equivalents	12,463			12,463
	37,235	**0**	**0**	**37,235**
Total assets	**83,232**	**0**	**1,840**	**85,072**
- Share capital	*18,207*			*18,207*
- Share premium	*45,868*			*45,868*
- Legal reserve	*3,062*			*3,062*
- Other reserves	*9,774*			*9,774*
- Retained losses	*20,784*			*20,784*
- Profit (loss) for the year	*(39,514)*		*(205)*	*(39,719)*
Equity attributable to owners of the Parent	58,181	0	(205)	57,976
Non-controlling interests	(2,071)		(6)	(2,077)
Total equity	**56,110**	**0**	**(211)**	**55,899**
Non-current liabilities				
Provision for post-employment benefits	545			*545*
Provisions for risks and charges	0			*0*
Deferred tax liabilities	66			*66*
Financial liabilities	1,322			*1,322*
Non-current financial liabilities on leased assets			600	*600*
	1,933	**0**	**600**	**2,533**

Current liabilities				
Provisions for risks and charges	27			*27*
Trade payables	21,631			*21,631*
Financial liabilities	3,076	(69)		*3,007*
Current financial liabilities on leased assets		69	1,451	*1,520*
Tax liabilities	455			*455*
Other liabilities	0			*0*
	25,189	**0**	**1,451**	**26,640**
Total liabilities	**27,122**	**0**	**2,051**	**29,173**
Total liabilities + equity	**83,232**	**0**	**1,840**	**85,072**

(*) The column includes the reclassification of the values relating to assets held under financial leases by the Group and previously classified in accordance with IAS 17 under Property, plant and equipment.
(**) The column includes the recognition of rights of use of leased assets, the related financial debt and the related items following the adoption of IFRS 16.

The value of Net financial liabilities recorded for leases as at 1.1.2019 is as follows:

(Euro thousands)	
Financial liabilities for lease contracts payable, non-current and current at 31.12.2018	69
Additional financial liabilities recognised for leases at 1.1.2019	2,051
Total financial liabilities for lease contracts payable at 1.1.2019	**2,120**

- **Amendments to IFRS 9 - Prepayment features with negative compensation**

On 22 March 2018, EU Regulation no. 2018/498 was issued, which endorsed some limited amendments to IFRS 9 (Financial instruments) at EU level. These amendments permit an entity to measure financial assets that can be prepaid with negative compensation (e.g. debt instruments where the borrower is permitted to prepay for an amount that may be less than the outstanding debt including interest due) at amortised cost or fair value through other comprehensive income instead of at fair value through profit or loss.
The adoption of said amendments has had no impact on the consolidated financial statements as at 31 December 2019.

- **IFRIC 23 - Uncertainty on the treatment of income taxes**

On 23 October 2018, EU Regulation no. 2018/1595 was issued, which endorsed IFRIC 23 (Uncertainty on the treatment of income taxes) at EU level. This interpretation governs how to account for uncertainty in accounting for income taxes. In this regard, IAS 12 - Income taxes specifies how to account for current taxes and deferred taxes but not the procedure to account for uncertainty effects. For example, there may be some doubt:
- on how to apply tax law to particular transactions or circumstances, or
- whether the tax authorities will accept the treatment chosen/implemented by the entity. If the entity believes that it is not probable that the tax treatment applied will be accepted, then the entity shall use estimates (most probable value or expected value) in determining the tax treatment (taxable profits, tax base, unused tax losses, unused tax credits, tax rates, etc.). The decision should be based on the method that best assesses the outcome of the uncertainty.

The adoption of said interpretation has had no impact on the consolidated financial statements as at 31 December 2019.

- **Amendments to IAS 28 (Investments in associates and joint ventures): long-term interests in investments in associates and joint ventures**

On 8 February 2019, EU Regulation no. 2019/237 was issued, which endorsed some limited amendments to IAS 28 (Investments in associates and joint ventures) at EU level. IFRS 9 excludes investments in associates and joint ventures that are accounted for under IAS 28. Accordingly, an entity applies IFRS 9 to other financial instruments held in respect of associates and joint ventures, including long-term interests (e.g. financial receivables), to which the equity method is not applied but which, in substance, form part of the net investment in those associates and joint ventures.
The adoption of said amendments has had no impact on the consolidated financial statements as at 31 December 2019.

- **Amendments to IAS 19 - Employee benefits: Plan amendment, curtailment or settlement**

On 13 March 2019, EU Regulation no. 2019/402 was issued, which endorsed some limited amendments to IAS 19 (Employee benefits) at EU level. These amendments relate to amendments, curtailments or settlements of defined benefit plans. The amendments require an entity in the event of a plan amendment, curtailment or settlement to use the updated assumptions in this remeasurement to determine the current service cost and net interest for the remaining reporting period after the plan amendment.
The adoption of said amendments has had no impact on the consolidated financial statements as at 31 December 2019.

- **Document IASB - Annual Improvements to IFRS Standards 2015-2017 Cycle, which involved the following amendments:**
  - IFRS 3 - Investments in Associates and Joint Ventures: clarifies that a company must remeasure the interest previously held in a business that qualifies as a joint operation, when it obtains control;
  - IFRS 11 - Joint Arrangements: clarifies that a company shall not remeasure a previously held interest in a joint operation when it acquires joint control;
  - IAS 23 - Financial expenses: clarifies that a company considers as part of general financing specific financing originally aimed at the development of the asset, when the same financing remains in place even when the asset is available for use or sale.

These amendments are not applicable to the Mondo TV Group.
Finally, the amendment to IAS 12 - Income Taxes clarifies that a company must recognise the tax effects of dividends in the income statement. This interpretation was already followed by the Group.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BUT NOT YET APPLICABLE/NOT APPLIED IN ADVANCE BY THE COMPANY

For these amendments, the Group is still evaluating the impact on economic, equity and financial situation.

- **Amendment to References to the Conceptual Framework in IFRS Standards (issued 29 March 2018)**

The IASB published the revised version of the Conceptual Framework for Financial Reporting, with first-time adoption scheduled for 1 January 2020. The purpose of the amendment is to update existing references in various standards and interpretations that are outdated. The main amendments regard:
- a new chapter on valuation;
- better definitions and guidance, in particular with regard to the definition of liabilities;
- clarification of important concepts, such as stewardship, prudence and uncertainty in valuations;
- clarifications on definitions and criteria for recognising assets and liabilities.

- **Amendment Definition of material to IAS 1 and IAS 8 (issued on 31 October 2018)**

The IASB published the amendment Definition of material to IAS 1 and IAS 8, which aims to clarify the definition of material in order to help companies assess whether or not information is to be included in the financial statements. Information is considered material if its omission, misstatement or obscuration may influence the decisions of the readers of the financial statements. The amendments will apply from 1 January.
2020. However, early application is permitted.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 in relation to Interest Rate Benchmark Reform (issued 26 September 2019)**

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7. These amendments provide for temporary concessions
to allow hedge accounting to continue to be used during the period of uncertainty before the reform to replace the current interest rate benchmark with an alternative risk-free interest rate. These changes take effect on 1 January 2020 and early application is permitted.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED

- **Amendment Definition of a business to IFRS 3 (issued 22 October 2018)**

The IASB published the amendment Definition of a Business to IFRS 3 with the objective of helping to determine whether a transaction is an acquisition of a business or group of businesses that does not meet the definition of business under IFRS 3 - Business combinations. The amendments will apply to acquisitions after 1 January 2020. Early application is permitted. The Group did not opt for the early adoption of these amendments.

- **IFRS 17 - Insurance Contract (issued 18 May 2017) with first-time adoption on 1 January 2021**

The standard does not apply to the Group.

Note 4 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 2019 and for 2018, 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)	2019		2018		Difference	
Geographical areas	**values**	**%**	**values**	**%**	**values**	**%**
Italy	780	3%	2,022	10%	(1,242)	(61%)
Europe	3,869	17%	1,390	7%	2,479	178%
Asia	16,960	74%	15,734	81%	1,226	8%
Americas	1,397	6%	301	2%	1,096	364%
Africa	50	0%	51	0%	(1)	(2%)
Total revenue	**23,056**	**100%**	**19,498**	**100%**	**3,558**	**18%**

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

Breakdown of the library by geographical area						
(Euro thousands)	2019		2018		Difference	
Geographical areas	**values**	**%**	**values**	**%**	**values**	**%**
Italy	30,645	86%	25,990	84%	4,655	18%
France	2,374	7%	1,593	5%	781	49%
Spain	2,058	6%	2,990	10%	(933)	(31%)
Switzerland	656	2%	315	1%	341	108%
Total Library	**35,733**	**100%**	**30,888**	**100%**	**4,844**	**16%**

Note 5 Intangible assets and property, plant and equipment Investments

Intangible 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**	**Intangible rights in progress**	**Other intangible assets**	**TOTAL**
Cost as at 31/12/2017	184,114	12,407	1,232	197,753
Amortisation and impairment as at 31/12/2017	(152,385)		(1,220)	(153,605)
Net value 31/12/2017	**31,729**	**12,407**	**12**	**44,148**
FY 2018				
Increases in the period	28,451		19	28,470
Disposals in the period				0
Amortisation and impairment in the period	(41,699)		(2)	(41,701)
Reclassifications	12,407	(12,407)		0
Cost as at 31/12/2018	212,565	0	1,251	213,816
Amortisation and impairment as at 31/12/2018	(181,677)		(1,222)	(182,899)
Net value 31/12/2018	**30,888**	**0**	**29**	**30,917**
FY 2019				
Increases in the period	14,106		13	14,119
Disposals in the period				0
Amortisation and impairment in the period	(9,261)		(2)	(9,263)
Cost as at 31/12/2019	226,671	0	1,264	227,935
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**

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

Acquisition for the year
The most significant investments relate to the production of the animated series *Yoohoo, Bat Pat, MeteoHeroes, Invention Story,* by the Parent Company and the series *Rocky* by the subsidiary Mondo TV France.

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

to amortise film rights.

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

On 31 December 2019, the Directors of the Parent Mondo TV S.p.A. therefore subjected intangible rights to impairment tests pursuant to IAS 36 in order to account for any impairment losses, also taking into account the significant events of the year outlined above. The test was conducted by comparing the carrying amount of the assets tested with the recoverable value, estimated in terms of value in use. In particular, the value in use was determined using the method of discounted cash flows, in the unlevered version. The cash flows used are those that are expected to be generated by the assets subject to analysis based on past experiences and expectations of developments in the markets in which the Group Companies operate.

Consistently with the previous years, based on the specific experience of Group Companies and the well-established practice in the sector, the cash flow has been calculated over a ten-year period (2019-2028) despite the fact that the company has full ownership of most of the library consisting of series with unlimited life.

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

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

The impairment test was supplemented by carrying out sensitivity analyses on the risk factors identified and on certain parameters used to perform the impairment test (changes in expected revenues and increase in interest rates (WACC) over the time period considered).

These analyses did not reveal any additional impairment risk factors to be taken into account in the preparation of the financial statements.

There are no restrictions on ownership and title of intangible assets.

Property, plant and equipment
The breakdown of changes in property, plant and equipment is presented in the table below.

Changes in property, plant and equipment				
(Euro thousands)	Plant and machinery	Industrial and commercial equipment	Other assets	TOTAL
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**
FY 2018				
Increases in the period	16	0	106	122
Disposals in the period				0
Amortisation and impairment in the period	(36)	(44)	(60)	(140)
Cost as at 31/12/2018	2,415	1,383	1,051	4,849
Depreciation and impairment as at 31.12.2018	(2,349)	(1,284)	(847)	(4,480)
Net value 31/12/2018	**66**	**99**	**204**	**369**
FY 2019				
Reclassification IFRS 16	(1)	(99)		(100)
Increases in the period	14		58	72
Disposals in the period				0
Amortisation and impairment in the period	(36)		(59)	(95)
Cost as at 31/12/2019	2,429	0	1,109	4,821
Depreciation and impairment as at 31.12.2019	(2,385)	0	(906)	(4,575)
Net value 31/12/2019	**44**	**0**	**203**	**246**

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

Equity investments
Investments in other companies consist entirely of minority interests in the UK-registered company Mars1982, a start-up operating in the online game sector for smartphones. In Q1 2020, the holding increased to 51%.

Note 6 Rights of use on leased assets

Following the adoption of IFRS 16 (Leases), Mondo TV has chosen to classify rights of use of third-party assets in a specific item in the statement of financial position.
Changes in the rights of use of third-party assets in 2019 are shown below:

Changes in Rights of use on leased assets			
(Euro thousands)	Properties	Industrial and commercial equipment	TOTAL
Net value at 31.12.2018	**0**	**0**	**0**
Reclassifications IFRS 16	0	99	99
Adoption IFRS 16	1,840	0	1,840
Changes in the period	(5)	18	18
Amortisation and impairment in the period	(550)	(30)	(580)
Cost at 31.12.2019	1,840	117	1,957
Depreciation and impairment as at 31.12.2019	(550)	(30)	(580)
Net value at 31.12.2019	**1,285**	**87**	**1,372**

The column Reclassifications IFRS 16 refers exclusively to audio-video production and editing equipment leased from Credem Leasing and located at the Guidonia laboratory and relating to the Parent Company.
The column Adoption IFRS 16 includes all the lease contracts payable for the two properties used as offices, the industrial laboratory of the Parent Company (Euro 1,486 thousand) and the headquarters of the three foreign subsidiaries Mondo TV France (Euro 229 thousand), Mondo TV Suisse (Euro 57 thousand) and Mondo TV Iberoamerica (Euro 68 thousand).

Note 7 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)	**31.12.2019**	**31.12.2018**	**Change**
Accumulated losses and other temporary differences	12,965	14,680	(1,715)
Total assets	**12,965**	**14,680**	**(1,715)**
Other temporary differences	66	66	0
Total liabilities	**66**	**66**	**0**
Net deferred tax assets	**12,899**	**14,614**	**(1,715)**

Changes in deferred tax assets and liabilities

(Euro thousands)	**31.12.2018**	**Increases**	**Decreases**	**31.12.2019**
Assets	14,680	1,547	(3,262)	12,965
Liabilities	(66)	0	0	(66)
Net deferred tax assets	**14,614**	**1,547**	**(3,262)**	**12,899**

In 2019, deferred tax assets increased by Euro 1,547 thousand mainly for taxes allocated on the loss for the year, while uses amounted to Euro 3,262 thousand for the partial re-absorption of temporary differences between statutory values and values for tax purposes.

The breakdown of deferred tax assets as at 31 December 2019, and changes from the previous year are shown below:

Euro/000

Natura	31.12.2018 Importo	%	Ires	31.12.2019 Importo	%	Ires	Variazione 2018/2019
Perdite fiscali	3.819	24%	917	10.149	24%	2.436	1.519
Fondo rischi su crediti tassato	22.894	24%	5.495	13.535	24%	3.248	(2.246)
Svalutazione library	28.296	24%	6.791	24.771	24%	5.945	(846)
Altre differenze temporanee	476	24%	114	535	24%	128	14
Totale Ires	**55.484**		**13.316**	**48.990**		**11.758**	**(1.559)**

Euro/000

Natura	31.12.2018 Importo	%	Irap	31.12.2019 Importo	%	Irap	Variazione 2018/2019
Svalutazione library	28.296	4,82%	1.364	24.771	4,82%	1.194	(170)
Altre differenze temporanee	-	4,82%	-	286	4,82%	14	14
Totale Irap	**28.296**		**1.364**	**25.057**		**1.208**	**(156)**
Totale	**83.780**		**14.680**	**74.047**		**12.965**	**(1.715)**

The recoverability of deferred tax assets recognised in the financial statements in the next years is related to the actual achievement of the objectives set in the 2019-2023 Plan, approved by the Parent's Board of Directors on 10 December 2018 and confirmed by the same Board on 29 March 2019, characterised by the uncertainties typical of a forecast Business Plan.

Breakdown of tax receivables and payables

(Euro thousands)	**31.12.2019**	**31.12.2018**	**Change**
IRES (Corporate Income Tax)	264	264	0
IRAP (Regional Business Tax)	181	87	94
VAT	979	805	174
Foreign tax credits	125	205	(80)
Other tax credits	1,013	2,327	(1,314)
Total tax assets	**2,562**	**3,688**	**(1,126)**
IRES (Corporate Income Tax)	0	0	0
IRAP (Regional Business Tax)	186	0	186
VAT	8	8	0
Payables for withholding tax on third-party remuneration	264	294	(30)
Income taxes due abroad	338	153	185
Total tax liabilities	**796**	**455**	**341**

The items “IRES” and “IRAP”, attributable to the Parent Company, consist of tax advances paid.

The item “Other tax credits” is mainly made up of amounts advanced to the tax authorities in relation to disputes underway by the parent company and the production tax credit due to Mondo TV France.

Note 8 Current and non-current receivables

The breakdown of receivables is shown in the table below.

Breakdown of non-current trade receivables			
(Euro thousands)	**31.12.2019**	**31.12.2018**	**Change**
Financial receivables due from third parties	0	0	0
Other receivables	41	31	10
TOTAL	**41**	**31**	**10**

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

Breakdown of trade and other receivables			
(Euro thousands)	**31.12.2019**	**31.12.2018**	**Change**
Due from customers	37,529	46,277	(8,748)
Due from customers for invoices to be issued	4,590	3,727	863
Other receivables	498	544	(46)
Allowance for doubtful debts	(17,760)	(29,926)	12,166
TOTAL	**24,857**	**20,622**	**4,235**

The decrease in trade receivables, in addition to the normal operating dynamics, is due to the offsetting carried out by the parent company in December, as a result of the agreement aimed at direct payment, on behalf of Mondo TV S.p.A, by two of its customers, Harmony Technology and Hong Kong Nine Technology, for Euro 1,828 thousand and Euro 7,802 thousand respectively, to two animation service providers of the parent company, also based in China and Hong Kong, Henan York Animation Studios and Hong Kong HZ Media LTD. This allowed for the sale of a total of Euro 9,630 thousand in receivables, while at the same time reducing exposure to two strategic suppliers for Mondo TV.

Receivables due from others can be broken down as follows:

Breakdown of receivables due from others			
(Euro thousands)	**31.12.2019**	**31.12.2018**	**Change**
Due from employees	7	19	(12)
Other receivables	491	510	(19)
TOTAL	**498**	**529**	**(31)**

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		
	31.12.2019	**31.12.2018**
Opening allowance for doubtful debts	**29,926**	**4,429**
Allowance for the period	157	23,879
Used in the year	(12,323)	0
Other changes	0	1,618
Closing allowance for doubtful debts	**17,760**	**29,926**

Allocations for the year, amounting to Euro 157 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.

The use in the period reflects the final assessment of losses on receivables from certain Asian customers, the provision for which was made in the previous year.

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

Specifically, an agreement was entered into with the customer Broadvision Rights Ltd. on 14 March 2019 outlining the following: Mondo TV S.p.A. is entitled to retain the amount already received for the animated series *Playtime Buddies* and will regain full ownership of the distribution rights, while further payments by Broadvision Rights Ltd. for the series will cease;

- the animated series *Sissi third season* was halved, passing to 26 episodes, in a format that is in any case very commercial with an investment by Broadvision Rights Ltd. that fell to USD 2,400 thousand (originally USD 4,800 thousand);
- the minimum guaranteed amount of USD 500 thousand that Mondo TV S.p.A. should have paid to Broadvision Rights Ltd. was cancelled.

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

With regard to relations with Hong Kong Nine Technology, the companies have reached a settlement agreement that provides for the replacement of the two animated series *Rowly Powly* and *Dee and Doo* with two new animated series currently being negotiated by Mondo TV S.p.A. with third-party co-producers and approved by Hong Kong Nine Technology.
Finally, as regards relations with New Information Tech., on the basis of the information available, at the end of the 2019 financial year, the company was put into liquidation and therefore, the possibility of recovering the related receivable, fully allocated to the allowance for doubtful debts in the previous financial year, now seems remote.

Note 9 Other assets

The item under review, equal to Euro 262 thousand (Euro 462 thousand as at 31 December 2018), mainly includes costs pertaining to future years.

Note 10 Cash and cash equivalents

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

Breakdown of cash and cash equivalents

Description	31.12.2019	31.12.2018	Change
Bank and postal deposits	7,995	12,438	(4,443)
Cash and other cash assets	4	25	(21)
TOTAL	**7,999**	**12,463**	**(4,464)**

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.

Note 11 Equity

The share capital at 31 December 2019 was equal to Euro 18,207,106 and consisted of 36,414,212 ordinary shares with a nominal value of Euro 0.50.

As part of the extraordinary finance transactions carried out in previous years, the Parent Company assigned warrants free of charge to its counterparties, giving them the right to subscribe to shares in Mondo TV S.p.A. The following is a summary of the warrants outstanding as at 1 January 2019:

Summary of warrants outstanding as at 1 January 2019				
Transaction	Shares (number)	Exercise price (Euro)	Maturity	Maximum counter-value (Euro)
GEM	500,000	6.5	31/08/2019	3,250,000
GEM	1,500,000	8.0	31/08/2019	12,000,000
GEM	500,000	10.0	31/08/2019	5,000,000
Total GEM (a)	**2,500,000**			**20,250,000**
Atlas	215,000	6.5	01/04/2021	1,397,500
Atlas	640,000	8.0	01/04/2021	5,120,000
Atlas	215,000	10.0	01/04/2021	2,150,000
Total Atlas (b)	**1,070,000**			**8,667,500**
Atlas	450,000	7.5	21/06/2023	3,375,000
Total Atlas (c)	**450,000**			**3,375,000**
Total warrants outstanding	**4,020,000**			**32,292,500**

On 31 August 2019, the warrants issued to GEM in the amount of 2,500,000 warrants with a maximum counter-value of Euro 20,250,000 reached maturity. Accordingly, the warrants outstanding as at 31 December 2019 are as follows:

Summary of warrants outstanding as at 31 December 2019				
Transaction	Shares (number)	Exercise price (Euro)	Maturity	Maximum counter-value (Euro)
Atlas	215,000	6.5	01/04/2021	1,397,500
Atlas	640,000	8.0	01/04/2021	5,120,000
Atlas	215,000	10.0	01/04/2021	2,150,000
Total Atlas (a)	**1,070,000**			**8,667,500**
Atlas	450,000	7.5	21/06/2023	3,375,000
Total Atlas (b)	**450,000**			**3,375,000**
Total warrants outstanding	**1,520,000**			**12,042,500**

Highlights of the warrants still outstanding are set forth below:

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

which will give the bearer the right to subscribe to a further maximum of 1,070,000 ordinary Mondo TV shares, with a nominal value of Euro 0.50 each, newly issued as follows:

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

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

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

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

Equity reserves are broken down as follows:

Equity reserves		
(Euro thousands)	**31.12.2019**	**31.12.2018**
Share premium provision	30,778	45,868
Legal reserve	3,062	3,061
Other reserves	7,971	10,194
Retained earnings (accumulated losses)	(3,489)	20,365
Profit (loss) for the year	3,832	(39,514)
TOTAL	**42,154**	**39,974**

The decrease in additional paid-in capital and retained losses is attributable to the coverage of the 2018 loss.

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;

Note 12 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)	**31.12.2019**	**31.12.2018**	**Change**
Provision for post-employment benefits	**566**	**545**	**21**
Provision for tax risks and charges	27	27	0
PROVISION FOR RISKS AND CHARGES	**27**	**27**	**0**
beyond 12 months	0	0	0
within 12 months	27	27	0
TOTAL PROVISION FOR RISKS AND CHARGES	**27**	**27**	**0**

Changes in Post-employment benefits and Provisions for risks and charges				
(Euro thousands)	**31.12.2018**	**allocations**	**uses**	**31.12.2019**
Provision for post-employment benefits	545	101	(80)	566
Provision for tax risks and charges	27	0	0	27
TOTAL	**572**	**101**	**(80)**	**593**
beyond 12 months	545			566
within 12 months	27			27
TOTAL	**572**			**593**

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

Note 13 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)	**31.12.2019**	**31.12.2018**	**Change**
Payables due to banks	3,037	1,117	1,920
Lease and rental payables IFRS 16	1,077	0	1,077
Other financial payables	0	205	(205)
Total	**4,114**	**1,322**	**2,792**

Breakdown of trade payables			
(Euro thousands)	**31.12.2019**	**31.12.2018**	**Change**
Due to suppliers	9,017	17,876	(8,859)
Other payables	4,754	3,755	999
Total trade payables	**13,771**	**21,631**	**(7,860)**

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 2019.
The decrease compared to the previous year is due to the offsetting carried out with two customers of the parent company for a total of Euro 9,630 thousand and described in note 8 to which reference should be made.

Breakdown of other payables			
(Euro thousands)	**31.12.2019**	**31.12.2018**	**Change**
Payables for wages, salaries and fees	464	528	(64)
Due to social security institutions	312	302	10
Advances from customers	3,545	2,464	1,081
Advances from coproducers	361	367	(6)
Other payables	72	94	(22)
Total other payables	**4,754**	**3,755**	**999**

The item "Advances from customers", mainly relating to Mondo TV France S.A., includes the amounts invoiced as contractually envisaged advances based on the progress of the production phases of the animated cartoons, mainly on the animated series Disco Dragon of which to CNC for Euro 1.2 million, to Monello for Euro 1.8 million and to France 4 for 0.2 million.
The item "Advances from coproducers" is mainly represented by the advances received in relation to the animated series being produced.

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

Breakdown of current financial payables			
(Euro thousands)	**31.12.2019**	**31.12.2018**	**Change**
Cofiloisir funding for production	1,531	0	1,531
Lease and rental payables IFRS 16	431	69	362
Bank overdrafts	3,298	3,007	291
Total	**5,260**	**3,076**	**2,184**

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 2019 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	**-**	**-**	**4,114**	**-**	**4,114**
Other non-current financial payables	-	-	1,077	-	1,077
Medium/long-term financial payables due to banks	-	-	3,037	-	3,037
Current financial payables net of cash	**0**	**-**	**-**	**-**	**0**
Short-term financial payables due to third parties	0	-	-	-	0
Trade and other payables	**-**	**13,410**	**-**	**-**	**13,410**
Total as at 31 December 2019	**0**	**13,410**	**4,114**	**-**	**17,524**

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

Note 14 Tax position

Subsidiaries are not involved in tax disputes; however, the parent company is involved in the following disputes:

a) 2014 tax audit

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. The first instance ruling was then upheld by the Regional Tax Department for Lazio in July 2018. Therefore, the judgement concluded positively for the Company, as no appeal was filed with the Court of Cassation by the Revenue Agency.

In 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 8 May 2018, the Rome Provincial Tax Department fully upheld the appeal filed by the Company against the assessment notice for the portion relating to 2011 VAT and IRAP.

- The second notice refers to IRES for 2011; the higher IRES ascertained amounts to Euro 724 thousand plus interest, while the penalties amount to Euro 651 thousand.
  For this second notice, the company filed a petition for recalculation to offset losses and reduce penalties, and then appealed the outcome of the recalculations; the appeal filed by the company with the CTP (Provincial Tax Department) was upheld with a ruling filed on 9 April 2019 (no appeal has been served to date).

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. The appeal filed by the company with the CTP was upheld with a ruling filed on 6 May 2019 (no appeal has been served to date).

b) 2019 tax audit

In HY1, Mondo TV S.p.A. underwent an audit by the Revenue Agency aimed at the offsets made in 2014 with the use of tax credits resulting from the transformation of deferred tax assets. The audit was concluded with the issuance, on 23 May 2019, of an assessment notice highlighting the disputes relating to the year 2014 for an amount of approximately Euro 1.1 million plus penalties and interest.
The same notice contains a communication to the offices and the company regarding the use of the tax credit in other years for the period 2012-2019.

On 20 December 2019, the Revenue Agency issued in relation to this notice, communication of recovery of the offsets made in 2012 through the tax credit generated by the conversion of deferred tax assets (DTA) into tax credits carried out pursuant to article 2, paragraphs 55-58, Decree Law No. 225/2010, for an amount of Euro 2,328 thousand plus penalties of Euro 2,328 thousand and interest of Euro 678 thousand for a total amount of Euro 5,336 thousand.
On 10 February 2020, an ample appeal was promptly filed against the aforementioned notice, since, in the opinion of the professionals in charge of defending the company against the litigation, there were very valid elements both of a formal nature (relating to the forfeiture of the taxation power) and of a substantial nature (relating to the formation of DTA statutory credits and their conversion into DTA tax credits), to oppose the subject matter of the recovery notice. In any case, the appeal was preceded by a request for self-defence, in order to keep the dialogue with the Agency open, which also continued by sending further documentation.

In view of the above, the risk of losing the case has been assessed by the Directors, also taking into account the opinion of the consultants appointed, as possible but not probable. Consequently, no provision has been made in the financial statements.

Note 15 Contingent liabilities

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

Note 16 Commitments

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

- a guarantee given on the securities deposit with Raiffeisen Bank where 6,119,200 Mondo TV Suisse shares, 39,060,000 Mondo TV France shares and 5,400,000 Mondo TV Iberoamerica shares are deposited as at 31 December 2019 against a loan of CHF 2,700,000 granted by the same bank;

- a guarantee of Euro 304 thousand for a short-term credit line to be used as a self-liquidating loan issued by Confartigianato Fidi in favour of Veneto Banca (now Intesa San Paolo);
-
- a guarantee of Euro 162 thousand issued by Banca Popolare dell'Emilia Romagna in favour of SIMEST.

Note 17 Revenues from sales and other revenues

These totalled Euro 23,056 thousand, an increase of Euro 4,142 thousand compared to the previous year:

Revenue from sales and services			
(Euro thousands)	**2019**	**2018**	**Change**
Revenue from sales of rights	21,167	13,642	7,525
Revenue from licensing	525	436	89
Revenue from production services	1,061	4,783	(3,722)
Other income	303	53	250
Total	**23,056**	**18,914**	**4,142**

Revenues from sales and services increased from Euro 18,914 thousand in 2018 to Euro 23,056 thousand in 2019; the significant increase in revenues of Euro 4,142 thousand was mainly due to the development of new productions by the parent company and the completion of the animated series Rocky by the subsidiary Mondo TV France.

Other revenues amounted to Euro 134 thousand (Euro 584 thousand at 31 December 2018).

Note 18 Capitalisation of internally produced series

The Group produces animated series in-house, incurring, in addition to external costs of direction, screenplay, animation studies and music, the internal costs as well, concerning both the pre-production and post-production phases. These costs are recognised and attributed to the series in progress. Directors recognise the series produced in-house as assets in the statement of financial position when they satisfy the definition of intangible assets in compliance with IAS 38.
The Group capitalises these costs only when the costs incurred for the production of animated series refer to the development phase: until then, expense incurred is recognised in profit or loss.
The capitalisation of the animated series realised internally concerns the capitalisation of the costs incurred by the Parent Company in relation to the production of its animated series and the capitalisation of costs by the subsidiary Mondo TV France.
The capitalised costs consist of approximately Euro 1,740 thousand in labour costs and of approximately Euro 1,753 thousand in operating costs due to third parties.

Note 19 Raw materials, consumables and goods

This item, equal to Euro 59 thousand (Euro 57 thousand in 2018), represents the cost incurred by the Group for consumables.

Note 20 Personnel costs

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

Personnel costs			
(Euro thousands)	**2019**	**2018**	**Change**
Salaries and wages	2,984	2,916	68
Social security costs	1,018	826	192
Post-employment benefits	71	74	(3)
Total	**4,073**	**3,816**	**257**

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

Group's human resources (average figure)		
	31.12.2019	**31.12.2018**
White-collar workers	44	42
Middle-managers	3	3
Executives	4	4
Total	**51**	**49**

Note 21 Depreciation, amortisation and impairment

The breakdown of the item is shown below:

Breakdown of depreciation, amortisation and impairment			
(Euro thousands)	**2019**	**2018**	**Change**
Proprietary rights	8,255	7,780	475
Temporary licenses	1,006	1,038	(32)
Other intangible assets	2	2	0
Impairment test on library	0	32,881	(32,881)
Total intangible assets	***9,263***	***41,701***	***(32,438)***
Property, plant and equipment	***95***	***140***	***(45)***
Rights of use on leased assets	***580***	***0***	***580***
Allowance for doubtful debts	***157***	***23,879***	***(23,722)***
Total depreciation, amortisation and impairment	**10,095**	**65,720**	**(56,205)**

For further details and information, reference is made to the related sections of the statement of financial position of these notes.

Note 22 Other operating costs

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

Other operating costs			
(Euro thousands)	**2019**	**2018**	**Change**
Production costs	1,789	2,389	(600)
Marketing and commercialisation costs	945	938	7
Consulting services	423	431	(8)
Remuneration to corporate bodies	546	448	98
Other services	2,174	1,980	194
Service costs	**5,877**	**6,186**	**(309)**
Equipment hire and rents	65	546	(481)
Costs associated with leased assets	**65**	**546**	**(481)**
Sundry operating costs	**169**	**399**	**(230)**
Allocated	**0**	**0**	**0**
Total	**6,111**	**7,131**	**(1,020)**

Lower operating costs (Euro 6,111 thousand at 31 December 2019 compared to Euro 7,131 thousand at 31 December 2018) are attributable to lower production costs and a significant reduction in rental costs as a result of the adoption of IFRS 16.

Note 23 Financial income and expenses

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

Financial income and expenses			
(Euro thousands)	**2019**	**2018**	**Change**
Finance income			
Other finance income	1	0	1
sub total finance income	1	0	1
Financial expenses			
Bank interest	(186)	(206)	20
Other interest	(32)	0	(32)
Bank fees	(59)	(116)	57
Other financial expenses	0	(35)	35
sub total financial expenses	(277)	(357)	80
exchange rate gains and losses			
Exchange rate gains	327	1,430	(1,103)
Exchange rate losses	(385)	(566)	181
sub total exchange rate gains and losses	(58)	864	(922)
imp/reval investments	0	0	0
TOTAL	**(334)**	**507**	**(841)**

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.

Note 24 Taxes

The breakdown is shown in table below.

Breakdown of taxes			
(Euro thousands)	**2019**	**2018**	**Change**
Previous years' taxes	**0**	**(6)**	**6**
Current taxes	**(379)**	**(268)**	**(111)**
Prepaid taxes of previous years recognised in profit or loss	(1,921)	(922)	(999)
Deferred tax assets for the year	192	12,775	(12,583)
Deferred tax liabilities for the year	0	(66)	66
Prepaid (deferred) taxes	**(1,729)**	**11,787**	**(13,516)**
Taxes for the year	**(2,109)**	**11,513**	(13,621)
IRES (Corporate Income Tax)	(1,554)	10,205	(11,759)
IRAP (Regional Business Tax)	(361)	1,188	(1,549)
Taxes foreign subsidiaries	(193)	120	(313)
Taxes for the year	**(2,109)**	**11,513**	**(13,621)**

Note 25 Dividends

No dividend was resolved or distributed in 2019.

Note 26 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	2019	2018
Average number of shares during the year	36,414,212	33,698,910
Profit (loss) for the year (in thousands of Euro)	3,832	(39,514)
Basic and diluted earnings (loss) per share	**0.11**	**(1.17)**

The diluted earnings (loss) per share as at 31 December 2019 correspond to the basic earnings per share since there is no dilution effect.

Note 27 Information on financial risks

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

a) Credit risk

Credit risk represents the Group companies' exposure to potential losses arising from the (non-fulfilment of the obligations assumed by the counterparties)
The management of this risk consists, first of all, in the selection of customers based on reliability and solvency and in limiting exposure to individual customers.
The positions for which a risk of partial or total non-collectability is noted, are subject to individual impairment. Performing trade receivables have not been impaired since no significant indication of impairment emerged, based on an analysis conducted that took into account both the reliability of the individual customers, and the high distribution of credit risk.

b) 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 2019:

	CREDIT LINES - MONDO TV GROUP - 31.12.2019			
(values in Euro millions)	**Cash**	**Trade**	**Loans**	**Total**
UBS	0	1.00	0	**1.00**
Raiffeisen	0	0	2.30	**2.30**
Credit Suisse	0	0.25	0	**0.25**
CREDEM	0	0.40	0	**0.40**
CREDEM FACTORING	0	1.00	0	**1.00**
SIMEST	0	0	0.10	**0.10**
Credit Agricole	0	0.50	0.50	**1.00**
Veneto Banca	0	0	0.10	**0.10**
Total	**0**	**3.15**	**3.00**	**6.15**

c) 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.

d) Interest rate risk

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

2. Risks associated with dependency on key managers

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

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

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

4. Other information

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

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

Consolidated net financial position		
(Euro thousands)	**31.12.2019**	**31.12.2018**
Cash and cash equivalents	7,999	12,463
Current financial payables due to banks	(3,298)	(3,007)
Financial payables for IFRS 16 application	(431)	(69)
Current payables due to COFILOISIR	(1,531)	0
Net current financial position	**2,739**	**9,387**
Financial payables for IFRS 16 application	(1,077)	0
Non-current payables due to banks	(3,037)	(1,322)
Net non-current financial position	**(4,114)**	**(1,322)**
Net financial debt as per comm. Consob DEM/6064293	**(1,375)**	**8,065**
Non-current receivables due from third parties	0	0
Consolidated net financial position	**(1,375)**	**8,065**

Note 28 Remuneration to corporate bodies

During the year ended 31 December 2019, the Parent's Board of Directors earned remuneration net of social security costs of Euro 195 thousand as resolved by the Company's Ordinary General Meeting on 30 April 2018 and by the Board of Directors' meeting of 01 June 2018. Remuneration is broken down as follows:

(Euro thousands)	31.12.2019	31.12.2018
Remuneration	195	195
Post-employment benefits	-	-
Other long-term benefits	-	-
Indemnities for the termination of employment	-	-
Stock options	-	-
TOTAL	**195**	**195**

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

Breakdown of the remuneration due to the current corporate bodies' members			
Surname	**Name**	**Office held**	**Annual remuneration**
Corradi	Monica	Board Member of Mondo TV S.p.A.	92
Corradi	Matteo	Director of Mondo TV S.p.A., Chair of Mondo France, CEO Mondo TV S.p.A., Director Mondo TV Suisse S.A. and Director Mondo TV Iberoamerica S.A.	181
Fedele	Aurelio	Director of Mondo TV S.p.A. and Chair of the SB	35
Marchetti	Carlo*	Director of Mondo TV S.p.A., Mondo TV France and Mondo TV Iberoamerica	156
Mola	Angelica	Board Member of Mondo TV S.p.A.	13
		Total Directors	**477**
Ferrari	Marcello	Chair of the Board of Statutory Auditors of Mondo TV S.p.A.	15
Barra	Adele	Member of the Board of Statutory Auditors of Mondo TV S.p.A.	10
Romani	Vittorio	Auditor of Mondo TV	10
		Total Statutory Auditors	**35**
		Total Directors and Statutory Auditors	**512**

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

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

Note 29 Remuneration of the Independent Auditors

As required by article 149-duodecies of the CONSOB Issuers' Regulation, the fees recorded by the Company in relation to the audit services during 2018 are provided below. The amounts relating to the activities performed for 2019 and the supplementary remuneration resolved are shown separately in the table by individual company. Audit services, supporting audit and other services were provided during the year.

Euro thousands

Type of service	Service provider	Recipient	2019 Fees
Audit	BDO Italia S.p.A.	Parent Company	55
Other services	BDO Italia S.p.A.	Parent Company	16
Audit	BDO Italia S.p.A.	Subsidiaries	30
Audit	BDO Auditores S.L.P. (*)	Subsidiaries	46
Total			**147**

(*) Foreign independent auditors belonging to the BDO network

Note 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, 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 2019 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.

Note 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.

Note 32 Significant events after year-end

To date, there have been no events after 31 December 2019 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the Financial Statements.

In Q1 2020, the collaboration with the German company Toon2Tango was strengthened, 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.

As of today, no significant impact is expected from the crisis relating to COVID-19, 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; 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; moreover, the media sector currently seems to be one of the least affected by the emergency; on the contrary, the audience for children's television channels is currently increasing and this could represent a business opportunity for the Group in the coming months.

In light of the above, the Board of Directors currently believes that the crisis relating to COVID-19 will not produce significant risks on the carrying value of the assets of Group companies (libraries, equity investments, trade receivables and deferred tax assets) and in general on business continuity.

The Board of Directors' meeting of 30 March 2020 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 AT 31 DECEMBER 2019 PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 5 OF LEGISLATIVE DECREE NO. 58/1998 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Matteo Corradi and Carlo Marchetti, in their respective capacities as CEO and Head of Financial Reporting of 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 2019.

2. No significant aspects have emerged.

3. It is also certified that:

3.1 the Consolidated Financial Statements as at 31 December 2019:

- 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, 30 March 2020

Chief Executive Officer	Head of Financial Reporting
Matteo Corradi	Carlo Marchetti

ANNEXES

1. CORPORATE BODIES AND COMMITTEES OF THE PARENT

Board of Directors[1]

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

Internal Control Committee

Chair
Aurelio Fedele
Members
Angelica Mola

Remuneration Committee

Chair
Angelica Mola
Members
Aurelio Fedele

Investor Relator

Piergiacomo Pollonio

Board of Statutory Auditors[4]

Marcello Ferrari (Chair)
Adele Barra
Vittorio Romani

Independent Auditors[5]

BDO Italia S.p.A.

Sponsor and Specialist

Banca Finnat

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

2. POWERS AND CORPORATE GOVERNANCE

Powers

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

Corporate Governance

The Corporate Governance system, still being implemented, is inspired by the recommendations provided by the relevant committee of listed companies that drafted the Corporate Governance Code as well as by the subsequent legal provisions on the governance of listed Companies.
The Company is directed by a ***Board of Directors*** currently consisting of 5 members, as resolved by the General Meeting of 30 April 2018.
Mondo TV S.p.A.'s Board of Directors is the body responsible for defining the strategic, organisational, and operational policies, as well as verifying the existence and adequacy of the control systems necessary to assess the performance of the Parent and of the subsidiaries. In particular, the Board of Directors:

- delegates powers and duties to the directors and revokes them;
- determines, having consulted the Board of Statutory Auditors, and at the proposal of the Remuneration Committee, the directors' remuneration in conformity with art. 2389 of the Italian Civil Code 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 Chair of the meeting shall cast the deciding vote.
The Board of Directors' meeting of 14 May 2018 appointed both the Internal Control Committee and the Remuneration Committee.

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

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

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

The Chair and the Chief Executive Officer define the remuneration of subordinates within the scope of their delegated powers.
The Chair of the Board of Directors is responsible for calling the board's meetings, setting their agenda beforehand, coordinating the activities of the Board, and chairing the meetings.
During the formal and informal Board of Directors' meetings, the Chair ensures that each member of the Board

of Directors and of the Board of Statutory Auditors has as much information as possible on the Company's operations and, in particular, on the Chair activities in carrying out his duties.
During each meeting, the Board of Directors appoints, from time to time, a minute taker.

In accordance with the Articles of Association, the ***Board of Statutory Auditors*** consists of three standing auditors and of two alternate auditors appointed by the 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, headed by Piergiacomo Pollonio since 21/11/2018, was set up to facilitate the dialogue between the Company, shareholders and institutional investors.
The same is also specifically responsible for ensuring that the documents and information regarding the Company, in particular those that are price sensitive, are disclosed to the public in compliance with the instructions provided by CONSOB with regulation 11971 and by Borsa Italiana.

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

In the period from 1 January to 31 December 2019, the Board of Directors met 6 times. The Articles of Association do not provide for a minimum frequency of the Board of Directors' meetings. The delegated bodies have reported to the Board of Directors during the aforementioned meetings and in any case with the minimal quarterly frequency required by the Corporate Governance Code. The directors were informed on the items on the agenda with sufficient prior notice.

The current Board of Directors of Mondo TV S.p.A. will remain in office until the approval of the Financial Statements as at 31 December 2020, as resolved by the Shareholders' Meeting of 30 April 2018.

On 28 March 2008, the Parent's Board of Directors also implemented an organisational model pursuant to Legislative Decree 231/2001, which governs the administrative liability of legal entities, companies and associations, and indicates the rules and procedures to be complied with while carrying out the company's operations for a more correct and efficient management, also with the aim of relieving the Company from any liability under the aforementioned law. The organisational model requires the adoption of a code of ethics, which is available on the Company's website. A Supervisory Body, consisting of three members, verifies the execution and implementation of the model.
With reference to privacy legislation, it should be noted that the DPO (Data Protection Officer) was appointed in 2019.

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	**Liquidator** Yvano Dandrea
Mondo France S.A.	**Board of Directors** Matteo Corradi (Chair) Sylvie Mahé Eve Baron Carlo Marchetti Feliciana Gargano
Mondo TV Iberoamerica S.A.	**Board of Directors** Matteo Corradi Maria Bonaria Fois Jesus Garcia Carlo Marchetti Patricia Motilla
Mondo TV Producciones Canarias S.L.U.	**Board of Directors** Maria Bonaria Fois Matteo Corradi Enrico Martinis

4. LIST OF THE EQUITY INVESTMENTS IN THE SCOPE OF CONSOLIDATION

List of the equity investments held as at 31 Dec. 2019	
Company Name	**Mondo TV Suisse S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2019	CHF 2,004,224
Profit (loss) for the year 2019	CHF 916,184
Ownership interest	61%
Company Name	**Mondo TV France S.A.**
Registered Office	Paris (France)
Share capital	Euro 2,029,729
Equity as at 31.12.2019	Euro 3,096,988
Profit (loss) for the year 2019	Euro 258,759
Ownership interest	21%
Company Name	**Mondo TV Iberoamerica S.A.**
Registered Office	Madrid (Spain)
Share capital	Euro 2,967,743
Equity as at 31.12.2019	Euro 3,148,513
Profit (loss) for the year 2019	Euro (301,524)
Ownership interest	79%
Company Name	**Mondo TV Producciones Canarias S.L.U.**
Registered Office	Tenerife (Spain)
Share capital	Euro 2,900,000
Equity as at 31.12.2019	Euro 862,518
Profit (loss) for the year 2019	Euro 408,686
Ownership interest	79% (indirect investment)
Company Name	**Mondo TV Toys S.A. in liquidation**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2018	CHF (165,720)
Profit (loss) for the year 2018	CHF (4,536)
Ownership interest	100%

5. LIST OF RELATED PARTIES

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

FINANCIAL STATEMENTS AND NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2019

STATEMENT OF FINANCIAL POSITION AT 31.12.2019

Statement of financial position	Notes	Annual 31.12.19	Annual 31/12/2018
Non-current assets			
- Intangible rights	5	33,918,135	27,537,140
- Other intangible assets	5	*38,760*	*25,728*
Intangible assets	5	33,956,895	27,562,868
Property, plant and equipment	5	135,033	268,858
Rights of use on leased assets	6	1,199,708	0
Equity investments	5	9,141,211	2,765,173
Deferred tax assets	7	12,538,812	14,268,344
Financial receivables	8	1,693,631	5,234,628
		58,665,290	**50,099,871**
Current assets			
Trade and other receivables	8	18,940,957	18,100,212
Financial receivables	8	145,013	145,013
Tax assets	7	1,739,832	2,817,413
Other assets	9	261,497	461,418
Cash and cash equivalents	10	6,374,721	11,994,290
		27,462,020	**33,518,346**
Total assets		**86,127,310**	**83,618,217**
- Share capital		18,207,106	18,207,106
- Share premium		30,777,910	45,867,585
- Legal reserve		3,061,555	3,061,555
- Other reserves		8,114,216	8,136,225
- Retained losses		0	22,894,425
- Profit (loss) for the year		3,745,605	(38,699,955)
Total equity	11	**63,906,392**	**59,466,941**
Non-current liabilities			
Provision for post-employment benefits	12	566,056	545,060
Provisions for risks and charges	12	4,093,868	2,993,868
Deferred tax liabilities	7	65,974	65,974
Financial payables	13	2,567,562	251,758
Non-current financial payables on leased assets	13	1,062,372	0
		8,355,832	**3,856,660**
Current liabilities			
Provisions for risks and charges	12	27,247	27,247
Trade and other payables	13	12,015,454	19,447,756
Financial payables	13	1,187,082	625,034
Current financial payables on leased assets	13	269,570	0
Tax liabilities	7	365,733	194,579
		13,865,086	**20,294,616**
Total liabilities		**22,220,918**	**24,151,276**
Total liabilities + equity		**86,127,310**	**83,618,217**

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Income Statement			
values in Euro	**Notes**	**2019**	**2018**
Revenue from sales and services	17	17,908,012	15,708,023
Other income	17	46,074	559,050
Capitalisation of internally produced animated series	18	1,112,811	1,086,726
Raw materials, consumables and goods	19	(32,022)	(45,601)
Personnel costs	20	(1,571,823)	(1,490,454)
Amortisation and impairment of intangible assets	21	(6,818,645)	(35,982,460)
Depreciation and impairment of property, plant and equipment	21	(66,827)	(110,667)
Amortisation of rights of use	21	(404,099)	0
Allowance for doubtful debts	21	(100,000)	(23,114,504)
Other operating costs	22	(3,220,525)	(4,859,664)
EBIT		**6,852,956**	**(48,249,551)**
Finance income	23	398,395	1,488,313
Financial expenses	23	(490,149)	(1,099,726)
Value adjustments to financial assets	23	(1,100,000)	(2,231,937)
Profit (loss) of the period before tax		**5,661,202**	**(50,092,901)**
Income tax expense	24	(1,915,597)	11,392,946
Profit (loss) for the year		**3,745,605**	**(38,699,955)**
Basic and diluted earnings (loss) per share	26	**0.10**	**(1.15)**
Diluted earnings (loss) per share		**0.10**	**(1.15)**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of comprehensive income			
Values in Euro	**notes**	**31.12.2019**	**31.12.2018**
Profit (loss) for the year (A)		**3,745,605**	**(38,699,955)**
Other items of the comprehensive income statement:			
TFR actuarial profits (losses)		(30,251)	(2,947)
Sale of shares in investees		926,123	576,261
Profits recognised directly in equity (B)		895,872	573,314
Total comprehensive income (loss) (A)+(B)		**4,641,477**	**(38,126,641)**

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. 2017	**15,307,776**	**2,642,483**	**10,447,861**	**27,766,915**	**8,223,361**	**12,865,636**	**77,254,032**
Transactions with shareholders recognised in equity:							
Atlas capital increase	2,899,330			18,100,670	(660,450)		20,339,550
Items of comprehensive income for the year:							
Allocation profit FY 2017		419,072	12,446,564			(12,865,636)	0
Disposal of shares of subsidiaries					576,261		576,261
Other changes					(2,947)		(2,947)
Result for the period						(38,699,955)	(38,699,955)
Balance as at 31 Dec. 2018	**18,207,106**	**3,061,555**	**22,894,425**	**45,867,585**	**8,136,225**	**(38,699,955)**	**59,466,941**
Adoption IFRS 16					(202,026)		(202,026)
Adjusted balance as of 1 January 2019	**18,207,106**	**3,061,555**	**22,894,425**	**45,867,585**	**7,934,199**	**(38,699,955)**	**59,264,915**
Transactions with shareholders recognised in equity:							
Items of comprehensive income for the year:							
Allocation profit FY 2018		0	(22,894,425)	(15,089,675)	(715,855)	38,699,955	0
Disposal of shares of subsidiaries					926,123		926,123
Actuarial adjustment on employee benefits					(30,251)		(30,251)
Result for the period						3,745,605	3,745,605
Balance as at 31 Dec. 2019	**18,207,106**	**3,061,555**	**0**	**30,777,910**	**8,114,216**	**3,745,605**	**63,906,392**

For further information on equity, reference should be made to note 11.

CASH FLOW STATEMENT

Cash flow statement		
(Euro thousands)	**2019**	**2018**
A. OPENING CASH AND CASH EQUIVALENTS	11,994,290	1,276,069
Profit (loss) for the year	3,745,605	(38,699,955)
Depreciation, amortisation and impairment	7,389,571	59,207,631
Net change in provisions	1,120,996	2,293,198
Economic effect of deferred taxes	1,729,532	(11,571,004)
Cash flow from (used in) operating activities before changes in working capital	13,985,704	11,229,870
(Increase) / decrease in trade and other receivables	(940,745)	2,891,674
(Increase) decrease in tax assets	1,077,581	966,564
(Increase) / decrease in other assets	199,921	(127,634)
Increase / (decrease) in trade payables	(7,432,302)	5,888,385
Increase / (decrease) in tax liabilities	171,154	(8,640)
Increase / (decrease) in other liabilities	0	(3,610,667)
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	7,061,313	17,229,552
(Acquisition) / disposal of:		
- Intangible assets	(13,212,672)	(25,880,014)
- Property, plant and equipment	(32,679)	(64,797)
- Rights of use on leased assets	(18,132)	0
- Financial assets	(6,376,038)	(633,027)
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(19,639,521)	(26,577,838)
Changes in capital	895,872	20,912,864
(Increase) / decrease in financial receivables and securities	3,540,997	250,233
Increase / (decrease) in financial payables	2,521,770	(1,096,590)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	6,958,639	20,066,507
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(5,619,569)	10,718,221
F. CLOSING CASH AND CASH EQUIVALENTS	6,374,721	11,994,290

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	31/12/2019	related parties	31/12/2018	related parties
Non-current assets				
- Intangible rights	33,918,135		*27,537,140*	
- Other intangible assets	38,760		*25,728*	
Intangible assets	33,956,895	0	*27,562,868*	0
Property, plant and equipment	135,033		*268,858*	
Rights of use on leased assets	1,199,708	1,112,193	*0*	
Equity investments	9,141,211	9,141,211	*2,765,173*	2,765,173
Deferred tax assets	12,538,812		*14,268,344*	
Receivables	1,693,631	1,693,631	*5,234,628*	5,234,628
	58,665,290	**10,834,842**	***50,099,871***	**7,999,801**
Current assets				
Trade receivables	18,940,957	101,608	18,100,212	579,594
Financial receivables	145,013	145,013	145,013	145,013
Tax assets	1,739,832		2,817,413	
Other assets	261,497	0	461,418	0
Cash and cash equivalents	6,374,721		11,994,290	
	27,462,020	**246,621**	**33,518,346**	**724,607**
Total assets	**86,127,310**	**11,081,463**	**83,618,217**	**8,724,408**
- Share capital	18,207,106		*18,207,106*	
- Share premium	30,777,910		*45,867,585*	
- Legal reserve	3,061,555		*3,061,555*	
- Other reserves	8,114,216		*8,136,225*	
- Retained earnings (losses)	0		*22,894,425*	
- Profit (loss) for the year	3,745,605		*(38,699,955)*	
Total equity	**63,906,392**	**0**	***59,466,941***	**0**

Non-current liabilities				
Post-employment benefits	566,056		545,060	
Provisions for risks and charges	4,093,868		2,993,868	
Deferred tax liabilities	65,974		65,974	
Financial payables	2,567,562	0	251,758	0
Non-current financial payables on leased assets	1,062,372	1,062,372	0	
	8,355,832	**0**	**3,856,660**	**0**
Current liabilities				
Provisions for risks and charges	27,247	0	27,247	0
Trade payables	12,015,454	2,986,836	19,447,756	2,242,564
Financial payables	1,187,082	0	625,034	0
Current financial payables on leased assets	269,570	210,638	0	
Tax liabilities	365,733		194,579	
	13,865,086	**3,197,474**	**20,294,616**	**2,860,898**
Total liabilities	**22,220,918**	**3,197,474**	**24,151,276**	**2,860,898**
Total liabilities and equity	**86,127,310**	**3,197,474**	**83,618,217**	**2,860,898**

Income statement for the year ended 31 December 2013

Values in Euro	2019	Related parties	2018	Related parties
Revenue from sales and services	17,908,012	357,172	15,708,023	0
Other income	46,074		559,050	
Capitalisation of internally produced animated series	1,112,811		1,086,726	
Raw materials, consumables and goods	(32,022)		(45,601)	
Personnel costs	(1,571,823)	(96,279)	(1,490,454)	(96,279)
Amortisation and impairment of intangible assets	(6,818,645)		(35,982,460)	
Depreciation and impairment of property, plant and equipment	(66,827)		(110,667)	
Amortisation of rights of use	(404,099)	(373,806)	0	
Allowance for doubtful debts	(100,000)		(23,114,504)	(1,266,772)
Other operating costs	(3,220,525)	(571,521)	(4,859,664)	(950,855)
EBIT	**6,852,956**		**(48,249,551)**	
Finance income	398,395	71,618	1,488,313	107,163
Financial expenses	(490,149)	(29,770)	(1,099,726)	
Value adjustments to financial assets	(1,100,000)		(2,231,937)	
Profit (loss) before tax	**5,661,202**		**(50,092,901)**	
Income tax expense	(1,915,597)		11,392,946	
Profit (loss) for the year	**3,745,605**		**(38,699,955)**	

Cash flow statement providing related party disclosures				
Values in Euro	2019	related parties	2018	related parties
A. OPENING CASH AND CASH EQUIVALENTS	11,994,290		1,276,069	
Profit (loss) for the year	3,745,605		(38,699,955)	
Depreciation, amortisation and impairment	7,389,571	-	59,207,631	-
Net change in provisions	1,120,996	-	2,293,198	-
Change in deferred taxes	1,729,532	-	(11,571,004)	-
Cash flow from (used in) operating activities before changes in working capital	13,985,704	0	11,229,870	0
(Increase) / decrease in trade and other receivables	(940,745)	477,386	2,891,674	1,825,205
(Increase) decrease in tax assets	1,077,581		966,564	
(Increase) / decrease in other assets	199,921	0	(127,634)	0
Increase / (decrease) in trade payables	(7,432,302)	(744,272)	5,888,385	(618,334)
Increase / (decrease) in tax liabilities	171,154		(8,640)	
Increase / (decrease) in other liabilities	0		(3,610,667)	
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	7,061,313	(266,886)	17,229,552	1,206,871
(Acquisition) / disposal of:				
- Intangible assets	(13,212,672)		(25,880,014)	
- Property, plant and equipment	(32,679)		(64,797)	
- Rights of use on leased assets	(18,132)		0	
- Financial assets	(6,376,038)	(6,376,038)	(633,027)	(633,027)
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(19,639,521)	(6,376,038)	(26,577,838)	(633,027)
Changes in capital	895,872		20,912,864	
(Increase) / decrease in financial receivables and securities	3,540,997	3,540,887	250,233	88,298
Increase / (decrease) in financial payables	2,521,770		(1,096,590)	
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	6,958,639	3,540,887	20,066,507	88,298
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	(5,619,569)	(3,102,037)	10,718,221	662,142
F. CLOSING CASH AND CASH EQUIVALENTS	6,374,721		11,994,290	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31.12.2019

Note 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.

The Financial Statements as at 31 December 2019 were approved by the Board of Directors' meeting of 30 March 2020, which authorised their publication on that same date and convened the General Meeting for relevant approval on 29 April 2020 (single call).
Due to the measures taken in connection with the Covid19 epidemiological emergency, the Company took advantage of the extended statutory deadlines for the approval of its financial statements, as allowed under the articles of association and statutory provisions.

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

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

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

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

Note 2 Accounting standards and measurement bases

The Company's Financial Statements as at 31 December 2019 consist of the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and relevant notes, and are drafted pursuant to IFRS.

The acronym IFRS refers to the "International Financial Reporting Standards" (IFRS), the "International Accounting Standards" (IAS), all interpretations of the "International Financial Reporting Interpretations Committee" (IFRIC), formerly known as the "Standing Interpretations Committee" (SIC), which, on the date of approval of these Financial Statements, have been endorsed by the European Union pursuant to Regulation

(EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002. In particular, it is noted that IFRSs were applied consistently to all the years examined in this Report. Furthermore, these Financial Statements were drafted based on the best knowledge of IFRSs and the best interpretations on the issue; any future interpretations and revisions will be taken into account in the next years, in accordance with the provisions included from time to time in the relevant accounting standards.

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

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

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

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

The statement of financial position, income statement, statement of comprehensive income, cash flow statement and statement of changes in equity show the comparison with the results related to the previous year ended 31 December 2018 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 2018, are the same ones adopted to prepare the Consolidated Financial Statements, to which reference is made. As from 1 January 2019, 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.

The adoption of the new accounting standard IFRS 16 has resulted in Mondo TV recording more non-current assets due to the recognition of Rights of use on leased assets as balancing entry of higher financial liabilities. The impact of the transition on the main items in the statement of financial position is summarised below:

(Euro thousands)	31.12.2018	Reclassifications (*)	Impacts IFRS 16 (**)	01.01.2019 restated
Non-current assets				
- Intangible rights	*27,537*			*27,537*
- Other intangible assets	*26*			*26*
Intangible assets	27,563	0	0	27,563
Property, plant and equipment	269	(99)		170
Rights of use on leased assets		99	1,486	1,585
Equity investments	2,765			2,765
Deferred tax assets	14,268			14,268
Receivables	5,235			5,235
	50,100	**0**	**1,486**	**51,586**
Current assets				
Trade receivables	18,100			18,100
Financial receivables	145			145
Tax assets	2,817			2,817
Other assets	461			461
Cash and cash equivalents	11,994			11,994
	33,518	**0**	**0**	**33,518**
Total assets	**83,618**	**0**	**1,486**	**85,104**
- Share capital	*18,207*			*18,207*
- Share premium	*45,868*			*45,868*
- Legal reserve	*3,062*			*3,062*
- Other reserves	*8,136*			*8,136*
- Retained losses	*22,894*			*22,894*
- Profit (loss) for the year	*(38,700)*		*(202)*	*(38,902)*
Total equity	**59,467**	**0**	**(202)**	**59,265**
Non-current liabilities				
Provision for post-employment benefits	545			*545*
Provisions for risks and charges	2,994			*2,994*
Deferred tax liabilities	66			*66*
Financial liabilities	252			*252*
Non-current financial liabilities on leased assets			445	*445*
	3,857	**0**	**445**	**4,302**
Current liabilities				
Provisions for risks and charges	27			*27*
Trade payables	19,448			*19,448*
Financial liabilities	625	(69)		*556*
Current financial liabilities on leased assets		69	1,243	*1,312*
Tax liabilities	195			*195*
	20,295	**0**	**1,243**	**21,538**
Total liabilities	**24,151**	**0**	**1,688**	**25,839**
Total liabilities + equity	**83,618**	**0**	**1,486**	**85,104**

(*) The column includes the reclassification of the values relating to assets held under financial leases by Mondo TV S.p.A. and previously classified in accordance with IAS 17 under Property, plant and equipment.
(**) The column includes the recognition of rights of use of leased assets, the related financial debt and the related items following the adoption of IFRS 16.

The value of Net Financial Liabilities recorded for Leases as at 1.1.2019 is as follows:

(Euro thousands)	
Financial liabilities for lease contracts payable, non-current and current at 31.12.2018	69
Additional financial liabilities recognised for leases at 1.1.2019	1,688
Total financial liabilities for lease contracts payable at 1.1.2019	**1,757**

Note 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 2019 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 2019 are classified by nature.

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

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

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

Note 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.
All non-current assets are located in Italy.

Note 5 Intangible assets and property, plant and equipment Investments

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

Changes in intangible assets			
(Euro thousands)	**Intangible rights**	**Other intangible assets**	**TOTAL**
Cost at the end of the period	118,335	1,003	119,338
Amortisation for impairment at 31.12	(16,591)	0	(16,591)
Depreciation at the end of the period	(64,087)	(995)	(65,082)
Balance at 31 December 2017	**37,657**	**8**	**37,665**
2018			
Acquisitions in the period	25,862	18	25,880
Amortisation for impairment	(28,296)		(28,296)
Ordinary amortisation	(7,686)		(7,686)
Cost at the end of the period	144,197	1,021	145,218
Amortisation for impairment at 31.12	(44,887)	0	(44,887)
Depreciation at the end of the period	(71,773)	(995)	(72,768)
Balance at 31 December 2018	**27,537**	**26**	**27,563**
2019			
Acquisitions in the period	13,200	13	13,213
Amortisation for impairment			0
Ordinary amortisation	(6,819)		(6,819)
Cost at the end of the period	157,397	1,034	158,431
Amortisation for impairment at 31.12	(44,887)	0	(44,887)
Depreciation at the end of the period	(78,592)	(995)	(79,587)
Balance at 31 December 2019	**33,918**	**39**	**33,957**

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

Acquisition for the year
The most significant investments concern the production of the animated series *Yoohoo, Bat Pat, MeteoHeroes, Invention Story*.

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

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

On 31 December 2019, the Directors of the Company therefore subjected intangible rights to impairment tests pursuant to IAS 36 in order to account for any impairment losses, also taking into account the significant events of the year outlined above. The test was conducted by comparing the carrying amount of the assets tested with the recoverable value, estimated in terms of value in use. In particular, the value in use was determined using the method of discounted cash flows, in the unlevered version. The cash flows used are those that are expected to be generated by the assets subject to analysis based on past experiences and expectations of developments in the markets in which the Company operates.

Consistently with the previous years, based on the specific experience of the Company and the well-established practice in the sector, the cash flow has been calculated over a ten-year period (2020-2029) despite the fact that the company has full ownership of most of the library consisting of series with unlimited life.

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

The considerations mentioned above and the Company's particular type of business, intrinsically characterised by the potential to benefit from a long-term exploitation of the licenses acquired, allow us to conclude that the ten-year period used to test the Library's carrying amount for impairment appears reasonable.

Moreover, the expected future revenues, the forecasts of which have been based on the potential of the individual titles and on the commercial evidence available, have been assumed to be decreasing overall in the years of the plan subsequent to the fifth year of exploitation.

The impairment test was supplemented by carrying out sensitivity analyses on the risk factors identified and on certain parameters used to perform the impairment test (changes in expected revenues and increase in interest rates (WACC) over the time period considered).

These analyses did not reveal any impairment losses to be taken into account in the preparation of the financial statements.

There are no restrictions on ownership and title of intangible assets.

Property, plant and equipment
The breakdown of changes in property, plant and equipment is presented in the table below.

Changes in property, plant and equipment

(Euro thousands)	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**TOTAL**
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**
2018				
Increases for acquisitions	16		49	65
Depreciation	(36)	(44)	(31)	(111)
Cost at the end of the period	2,416	835	739	3,990
Depreciation at the end of the period	(2,350)	(735)	(636)	(3,721)
Balance at 31 December 2018	**66**	**100**	**103**	**269**
2019				
Reclassification for IFRS 16		(100)		(100)
Increases for acquisitions	14		19	33
Depreciation	(36)		(31)	(67)
Cost at the end of the period	2,430	0	758	3,923
Depreciation at the end of the period	(2,386)	0	(667)	(3,788)
Balance at 31 December 2019	**44**	**0**	**91**	**135**

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

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

Change in equity investments			
(Euro thousands)	**31/12/2018**	**increases/decreases**	**31/12/2019**
Equity investments in subsidiaries			
Mondo TV France	553	431	984
Mondo TV Suisse	431	1,192	1,623
Mondo TV Iberoamerica	1,781	4,658	6,439
Mondo TV Toys	0	0	0
Total Subsidiaries	**2,765**	**6,281**	**9,046**
Investments in other companies	0	95	95
Total equity investments	**2,765**	**6,376**	**9,141**

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

	31/12/2019 Carrying Value (A)	Equity	%	Relevant equity (B)	Difference (B) – (A)
Mondo TV France	984	3,097	21	650	(334)
Mondo TV Suisse	1,623	1,847	61	1,127	(496)
Mondo TV Iberoamerica	6,439	3,149	79	2,488	(3,951)
Mondo TV Toys	0	(149)	100	(149)	(149)
Total Subsidiaries	**9,046**	**7,944**		**4,116**	**(4,930)**

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 2,845 thousand, integrated in the 2019 financial year with a further provision of Euro 1,100 thousand (a total provision allocated of Euro 3,945 thousand).

With reference to the investment in Mondo TV Toys, also considering the liquidation, an amount of Euro 149 thousand was set aside as a provision for risks on investments in the previous year.

The negative difference relating to the other subsidiaries is not considered indicative of an impairment loss given the positive results achieved by these companies during the year and the market values expressed by their stock market capitalisation.

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 2019 and the formation of the draft financial statements (maintaining the percentages of investment and the total number of shares as at 31 December 2019).

Amounts in Euro thousands

Company Name	% Investment	Share value 31/12/2019	Number of shares	Capitalization Mkt Euro/000	MTV Mkt Share Euro/000
Mondo TV France	21%	0.053	195,037,250	10,337	2,171
Mondo TV Iberoamerica	79%	0.322	59,354,860	19,112	15,099
Mondo TV Suisse	61%	1.535	10,000,000	15,350	9,364

Company Name	% Investment	Share value 20/03/2020	Number of shares	Capitalization Mkt Euro/000	MTV Mkt Share Euro/000
Mondo TV France	21%	0.03	195,037,250	5,851	1,229
Mondo TV Iberoamerica	79%	0.115	59,354,860	6,826	5,392
Mondo TV Suisse	61%	1	10,000,000	10,000	6,100

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

Investments in other companies consist entirely of minority interests in the UK-registered company Mars1982, a start-up operating in the online game sector for smartphones.
In Q1 2020, the holding increased to 51%.

Note 6 Rights of use on leased assets

Following the adoption of IFRS 16 (Leases), Mondo TV has chosen to classify rights of use of third-party assets in a specific item in the statement of financial position.
Changes in the rights of use of third-party assets in 2019 are shown below:

Changes in Rights of use on leased assets			
(Euro thousands)	**Properties**	**Industrial and commercial equipment**	**TOTAL**
Net value at 31.12.2018	**0**	**0**	**0**
Reclassifications IFRS 16	0	99	99
Adoption IFRS 16	1,486	0	1,486
Increase	0	18	13
Amortisation and impairment in the period	(374)	(30)	(404)
Cost at 31.12.2019	1,486	112	1,598
Depreciation and impairment as at 31.12.2019	(374)	(30)	(404)
Net value at 31.12.2019	**1,112**	**87**	**1,199**

The column Reclassifications IFRS 16 refers exclusively to audio-video production and editing equipment leased from Credem Leasing and located at the Guidonia laboratory and relating to the Parent Company.
The column Adoption of IFRS 16 includes all the lease contracts payable for the two properties used as offices and the company's industrial laboratory (Euro 1,486 thousand).

Note 7 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)	31/12/2018	Increases	Decreases	31/12/2019
Assets	14,268	1,533	(3,262)	12,539
Liabilities	(66)	0	0	(66)
Net deferred tax assets	**14,202**	**1,533**	**(3,262)**	**12,473**

In 2019, deferred tax assets increased by Euro 1,519 thousand mainly for taxes allocated on the loss for the year, while uses amounted to Euro 3,252 thousand for the partial re-absorption of temporary differences between statutory values and values for tax purposes.

The breakdown of deferred tax assets as at 31 December 2019, and changes from the previous year are shown below:

Euro/000

Natura	Importo	%	Ires	Importo	%	Ires	
Perdite fiscali	2.104	24%	505	8.434	24%	2.024	1.519
Fondo rischi su crediti tassato	22.894	24%	5.495	13.535	24%	3.248	(2.246)
Svalutazione library	28.296	24%	6.791	24.771	24%	5.945	(846)
Altre differenze temporanee	476	24%	114	490	24%	118	3
Totale Ires	53.769		12.905	47.230		11.335	(1.570)

Euro/000

	Importo	%	Irap	Importo	%	Ires	
Svalutazione library	28.296	4,82%	1.364	24.771	4,82%	1.194	(170)
Altre differenze temporanee	-	4,82%	-	202	4,82%	10	10
Totale Irap	28.296		1.364	24.973		1.204	(160)
Totale	82.065		14.268	72.202		12.539	(1.730)

Deferred tax liabilities were recorded for Euro 66 thousand (unchanged compared to the previous 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 years is strictly related to the actual achievement of the objectives set in the 2019-2023 Business Plan, approved by the Company's Board of Directors on 10 December 2018 and confirmed by the same Board on 29 March 2019, 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)	31/12/2019	31/12/2018	Change
IRES (Corporate Income Tax)	264	264	0

IRAP (Regional Business Tax)	181	87	94
VAT receivables	971	751	220
Other tax credits	324	1,715	(1,391)
Total tax assets	**1,740**	**2,817**	**(1,077)**

The items "Ires" and "Irap" consist of the tax advances paid for the year 2019 and the IRES receivable deriving from the previous tax statement.

Tax payables amounting to a total of Euro 366 thousand (Euro 195 thousand at 31 December 2018) relate to IRAP for the year and withholding taxes on third-party payables.

Note 8 Trade and financial receivables

Non-current financial receivables equal to Euro 1,694 thousand at 31 December 2019 compared to Euro 5,234 thousand in the previous year refer to loans granted to the subsidiary Mondo TV Iberoamerica. The decrease in the financial year was due both to the waiver made in the first half of the year in order to strengthen the subsidiary's equity (Euro 1,600 thousand) and to the repayments made for the remaining amount.

Current financial receivables of Euro 145 thousand at 31 December 2019 (unchanged from the previous year) relate to loans provided in previous years to the subsidiary Mondo TV Toys.

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)	**31/12/2019**	**31/12/2018**	**Change**
Due from customers	29,227	40,937	(11,710)
Due from customers for invoices to be issued	4,590	3,727	863
Due from subsidiaries	1,343	1,814	(471)
Coproduction	0	0	0
Other receivables	394	477	(83)
Allowance for doubtful debts	(16,613)	(28,855)	12,242
TOTAL	**18,941**	**18,100**	**841**

The decrease in trade receivables, in addition to the normal operating dynamics, is due to the offsetting carried out by the parent company in December, as a result of the agreement aimed at direct payment, on behalf of Mondo TV S.p.A, by two of its customers, Harmony Technology and Hong Kong Nine Technology, for Euro 1,828 thousand and Euro 7,802 thousand respectively, to two animation service providers of the parent company, also based in China and Hong Kong, Henan York Animation Studios and Hong Kong HZ Media LTD. This allowed for the sale of a total of Euro 9,630 thousand in receivables, while at the same time reducing exposure to two strategic suppliers for Mondo TV.

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

(Euro thousands)	**31.12.2019**	**31.12.2018**

Allowance for doubtful debts as at 1 January	28,855	4,159
Allowance for the period	100	23,115
Used in the year	(12,342)	0
Other changes	0	1,581
Allowance for doubtful debts as at 31 December	16,613	28,855

Allocations for the year, amounting to Euro 100 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.

The use in the period reflects the final assessment of losses on receivables from certain Asian customers, the provision for which was made in the previous year.

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

Specifically, an agreement was entered into with the customer Broadvision Rights Ltd. on 14 March 2019 outlining the following: Mondo TV S.p.A. is entitled to retain the amount already received for the animated series Play time Buddies and will regain full ownership of the distribution rights, while further payments by Broadvision Rights Ltd. for the series will cease;

- the animated series *Sissi third season* was halved, passing to 26 episodes, in a format that is in any case very commercial with an investment by Broadvision Rights Ltd. that fell to USD 2,400 thousand (originally USD 4,800 thousand);
- the minimum guaranteed amount of USD 500 thousand that Mondo TV S.p.A. should have paid to Broadvision Rights Ltd. was cancelled.

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

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

Finally, as regards relations with New Information Tech., on the basis of the information available, at the end of the 2019 financial year, the company was put into liquidation and therefore, the possibility of recovering the related receivable, fully allocated to the allowance for doubtful debts in the previous financial year, now seems remote.

Note 9 Other assets

The item under review, equal to Euro 261 thousand (Euro 461 thousand as at 31 December 2018), mainly includes costs pertaining to future years.

Note 10 Cash and cash equivalents

Cash and cash equivalents, equal to Euro 6,375 thousand at 31 December 2019, mainly consist of deposits held with banks.

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

Note 11 Equity

The share capital at 31 December 2019 was equal to Euro 18,207,106 and consisted of 36,414,212 ordinary shares with a nominal value of Euro 0.50.

As part of the extraordinary finance transactions carried out in previous years, the Parent Company assigned warrants free of charge to its counterparties, giving them the right to subscribe to shares in Mondo TV S.p.A. The following is a summary of the warrants outstanding as at 1 January 2019:

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

On 31 August 2019, the warrants issued to GEM in the amount of 2,500,000 warrants with a maximum counter-value of Euro 20,250,000 reached maturity.
Accordingly, the warrants outstanding as at 31 December 2019 are as follows:

Summary of warrants outstanding as at 31 December 2019				
Transaction	**Shares (number)**	**Exercise price (Euro)**	**Maturity**	**Maximum counter-value (Euro)**
Atlas	215,000	6.5	01/04/2021	1,397,500
Atlas	640,000	8.0	01/04/2021	5,120,000
Atlas	215,000	10.0	01/04/2021	2,150,000
Total Atlas (a)	**1,070,000**			**8,667,500**
Atlas	450,000	7.5	21/06/2023	3,375,000
Total Atlas (b)	**450,000**			**3,375,000**
Total warrants outstanding	**1,520,000**			**12,042,500**

Highlights of the warrants still outstanding are set forth below:

a) The Extraordinary Shareholders' Meeting of 6 September 2016 of the Parent Company approved the

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

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

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

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

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

Equity reserves are broken down as follows:

Equity reserves		
(Euro thousands)	**31/12/2019**	**31/12/2018**
Share premium provision	30,778	45,868
Legal reserve	3,061	3,061
Other reserves	8,114	8,136
Retained earnings (accumulated losses)	0	22,894
Profit (Loss) for the year	3,746	(38,061)
TOTAL	**45,699**	**41,898**

The decrease in the share premium provision and the write-off of retained earnings is attributable to the coverage of the 2018 loss.

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 11,050 thousand, the actuarial adjustment of post-employment benefits for Euro 94 thousand, the initial adjustment for the application of IFRS 16 for Euro 202 thousand and expenses relating to Gem and Atlas transactions for a total of Euro 2,640 thousand.

Note 12 Provisions for risks and charges and Post-employment benefits

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

Provisions for current and non-current risks and charges			
(Euro thousands)	**31/12/2019**	**31/12/2018**	**change**
Post-employment benefits	**566**	**545**	**21**
Provision for losses on equity investments	4,094	2,994	1,100
TOTAL NON-CURRENT	**4,094**	**2,994**	**1,100**
Provision for tax audit risks	27	27	0
TOTAL CURRENT	**27**	**27**	**0**

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

Changes in Post-employment benefits and Provisions for current and non-current risks and charges				
(Euro thousands)	**31.12.2018**	**Allocated**	**Used**	**31.12.2019**
Post-employment benefits	545	101	(80)	566
Provision for losses on equity investments	2,994	1,100	-	4,094
TOTAL NON-CURRENT	**3,539**	**1,201**	**(80)**	**4,660**
Provision for tax audit risks	27	-	-	27
TOTAL CURRENT	**712**	**-**	**-**	**27**

The allocation to the provision for risks on investments is attributable to the recognition in the financial statements of Mondo TV S.p.A. of the difference between the carrying value of the investment and the relevant equity, the total allocation of which amounted to Euro 3,945 thousand at 31 December 2019.
The difference of Euro 149 thousand compared to the total amount of the provision of Euro 4,094 thousand is due to the allocation made in previous years in relation to the deficit of the subsidiary Mondo TV Toys.

As regards the risks related to ongoing disputes, not reflected among the Risks Provisions as the risk of an unfavourable outcome is not considered probable and/or the amount cannot be determined, please refer to the paragraph below “Contingent Liabilities”.

Note 13 Current and non-current payables

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

(Euro thousands)	31/12/2019	31/12/2018	change
Breakdown of trade payables			
Due to suppliers	8,068	16,215	(8,147)
Due to subsidiaries	2,956	2,212	744
Total trade payables	**11,024**	**18,427**	**(7,403)**
Breakdown of other payables			
Payables for wages, salaries and fees	385	392	(7)
Due to social security institutions	204	210	(6)
Coproduction – temporary balance	361	367	(6)
Sundry payables	41	52	(11)
Total other payables	**991**	**1,021**	**(30)**
Total trade and other payables	**12,015**	**19,448**	**(7,433)**

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 2019.

The decrease compared to the previous year is due to the offsetting carried out with two customers of the parent company for a total of Euro 9,630 thousand and described in note 8 to which reference should be made.

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)	31/12/2019			31/12/2018		
Description	**Due within 12 months**	**After 12 months**	**Total**	**Due within 12 months**	**After 12 months**	**Total**
Due to banks for loans		2,568	2,568		252	252
Non-current financial payables on leased assets		1,062	1,062			
Non-current payables	**0**	**3,630**	**3,630**	**0**	**252**	**252**
Bank overdrafts and loans	1,187		1,187	625		625
Current financial payables on leased assets	270		270	0		0
Current payables	**1,457**	**0**	**1,457**	**625**	**0**	**625**

Total	1,457	3,630	5,087	625	252	877

Non-current financial payables consist of the portion of unsecured loans and the leased asset 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 2019 are detailed below:

Amounts in Euro thousands

Worst case repayment date	*on demand*	*due within 12 months*	*between 12 and 36 months*	*after 36 months*	**Total**
Non-current financial payables	**0**	**0**	**1,142**	**2488**	**3,630**
Non-current financial payables due to banks	0	0	80	2488	**2,568**
Non-current financial payables IFRS 16	0	0	1,062	0	**1,062**
Current financial payables net of cash	**0**	**1,457**	**0**	**0**	**1,457**
Current financial payables due to banks	0	1,187	0	0	**1,187**
Current financial payables IFRS 16	0	270	0	0	**270**
Trade and other payables	**0**	**9,962**	**0**		**9,962**
Total as at 31 December 2019	**0**	**11,419**	**1,142**	**2,488**	**15,049**

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

Note 14 Tax position

The company is involved in the following disputes:

a) 2014 tax audit

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.

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

In 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 8 May 2018, the Rome Provincial Tax Department fully upheld the appeal filed by the Company against the assessment notice for the portion relating to 2011 VAT and IRAP.

- The second notice refers to IRES for 2011; the higher IRES ascertained amounts to Euro 724 thousand plus interest, while the penalties amount to Euro 651 thousand.
  For this second notice, the company filed a petition for recalculation to offset losses and reduce penalties, and then appealed the outcome of the recalculations; the appeal filed by the company with the CTP (Provincial Tax Department) was upheld with a ruling filed on 9 April 2019 (no appeal has been served to date).

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. The appeal filed by the company with the CTP was upheld with a ruling filed on 6 May 2019 (no appeal has been served to date).

b) 2019 tax audit

In HY1, Mondo TV S.p.A. underwent an audit by the Revenue Agency aimed at the offsets made in 2014 with the use of tax credits resulting from the transformation of deferred tax assets. The audit was concluded with the issuance, on 23 May 2019, of an assessment notice highlighting the disputes relating to the year 2014 for an amount of approximately Euro 1.1 million plus penalties and interest.
The same notice contains a communication to the offices and the company regarding the use of the tax credit in other years for the period 2012-2019.

On 20 December 2019, the Revenue Agency issued in relation to this notice, communication of recovery of the offsets made in 2012 through the tax credit generated by the conversion of deferred tax assets (DTA) into tax credits carried out pursuant to article 2, paragraphs 55-58, Decree Law No. 225/2010, for an amount of Euro 2,328 thousand plus penalties of Euro 2,328 thousand and interest of Euro 678 thousand for a total amount of Euro 5,336 thousand.
On 10 February 2020, an ample appeal was promptly filed against the aforementioned notice, since, in the opinion of the professionals in charge of defending the company against the litigation, there were very valid elements both of a formal nature (relating to the forfeiture of the taxation power) and of a substantial nature (relating to the formation of DTA statutory credits and their conversion into DTA tax credits), to oppose the subject matter of the recovery notice. In any case, the appeal was preceded by a request for self-defence, in order to keep the dialogue with the Agency open, which also continued by sending further documentation.

In view of the above, the risk of losing the case has been assessed by the Directors, also taking into account the opinion of the consultants appointed, as possible but not probable. Consequently, no provision has been made in the financial statements.

Note 15 Contingent liabilities

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

Note 16 Commitments

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

- a guarantee given on the securities deposit with Raiffeisen Bank where 6,119,200 Mondo TV Suisse shares, 39,060,000 Mondo TV France shares and 5,400,000 Mondo TV Iberoamerica shares are deposited as at 31 December 2019 against a loan of CHF 2,700,000 granted by the same bank;
- a guarantee of Euro 304 thousand for a short-term credit line to be used as a self-liquidating loan issued by Confartigianato Fidi in favour of Veneto Banca (now Intesa San Paolo);
-
- a guarantee of Euro 162 thousand issued by Banca Popolare dell'Emilia Romagna in favour of SIMEST.

Note 17 Revenues from sales and other revenues

These totalled Euro 17,908 thousand, an increase of Euro 1,641 thousand compared to the previous year:

Revenues for sales, services and other revenues			
(Euro thousands)	**2019**	**2018**	**Change**
Revenue from sales of rights	17,231	11,699	5,532
Revenue from licensing	525	361	164
Revenue from production services	0	3,648	(3,648)
Total revenues from sales and services	**17,756**	**15,708**	**2,048**
Other income	**152**	**559**	**(407)**
Total revenues for sales, services and other revenues	**17,908**	**16,267**	**1,641**

Revenues from sales and services went from Euro 15,708 thousand in 2018 to Euro 17,756 thousand in 2019; the increase in revenues of Euro 2,048 thousand was due to the development of new productions, with particular reference to *Invention Story*, *Bat Pat 2*, *MeteoHeroes* and *Robot Trains*.

Other revenues amounted to Euro 152 thousand (Euro 559 thousand at 31 December 2018) and mainly include various charge-backs and contingent assets.

Note 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 1,113 thousand for the year ended 31 December 2019 (Euro 1,087 thousand as at 31 December 2018).
The capitalised costs consist of approximately Euro 783 thousand in labour costs and of approximately Euro 330 thousand in operating costs due to third parties.

Note 19 Raw materials, consumables and goods

Costs for purchases of raw materials, consumables and goods amounted to Euro 32 thousand as at 31 December 2019, compared to Euro 46 thousand in 2018.

Note 20 Personnel costs

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

Personnel costs			
(Euro thousands)	**2019**	**2018**	**Change**
Salaries and wages	1,149	1,128	21
Social security costs	352	288	64
Post-employment benefits	71	74	(3)
Total	**1,572**	**1,490**	**82**

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)			
	31.12.2019	**31.12.2018**	**Average figure**
White-collar workers	23	24	23
Executives	2	2	2
Total	**25**	**26**	**25**

Note 21 Depreciation, amortisation and impairment

The breakdown of the item is shown below:

Breakdown of depreciation and amortisation			
(Euro thousands)	**2019**	**2018**	**Change**
Proprietary rights	5,719	5,614	105
Temporary licenses	1,100	2,072	(972)
Impairment test of intangible assets	0	28,296	(28,296)
Amortisation of intangible assets	***6,819***	***35,982***	***(29,163)***
Plant and machinery	36	36	0
Industrial and commercial equipment	0	44	(44)
Other assets	31	31	0
Depreciation of property, plant and equipment	***67***	***111***	***(44)***
Amortisation of rights of use	***404***	***0***	***404***
Allowance for doubtful debts	***100***	***23,115***	***(23,015)***
Total	**7,390**	**59,208**	**(51,818)**

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

Note 22 Other operating costs

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

Other operating costs			
(Euro thousands)	**2019**	**2018**	**Change**
Production costs	0	1,345	(1,345)
Marketing and commercialisation costs	946	938	8
Consulting services	423	432	(9)
Remuneration to corporate bodies	395	304	91
Other services	1,228	980	248
Service costs	**2,992**	**3,999**	**(1,007)**
Equipment hire and rents	65	516	(451)
Costs associated with leased assets	**65**	**516**	**(451)**
Sundry operating costs	**164**	**345**	**(181)**
Allocated	**0**	**0**	**0**
Total	**3,221**	**4,860**	**(1,639)**

The lower operating costs (Euro 3,221 thousand at 31 December 2019 compared to Euro 4,860 thousand at 31 December 2018) mainly resulted from the absence of production costs due to the absence of purely executive production activities and the significant decrease in rental and lease costs due to the adoption of IFRS 16 from 1 January 2019.

Note 23 Financial income and expenses Impairment of investments

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

Financial income and expenses			
(Euro thousands)	**2019**	**2018**	**Change**
Dividends from subsidiaries	0	0	0
Other finance income	72	107	(35)
Total finance income	*72*	*107*	*(35)*

Short-term bank interest payable	(68)	(43)	(25)
Discounts and bank fees	(59)	(116)	57
Other financial expenses	(30)	(35)	5
Total finance costs	***(157)***	***(194)***	***37***
Exchange rate gains	327	1,381	(1,054)
Exchange rate losses	(334)	(906)	572
Exchange rate gains and losses	**(7)**	**475**	**(482)**
Impairment on equity investments	**(1,100)**	**(2,231)**	**1,131**
Total finance income/(costs)	**(1,192)**	**(1,843)**	**651**

The impairment of equity investments of Euro 1,100 thousand relates to the adjustment of the carrying amount of the investment in Mondo TV Iberoamerica to the corresponding portion of shareholders' equity.
Exchange rate gains and losses mainly originated from changes in the exchange rate between the Euro and the US Dollar and the Swiss Franc, in relation to commercial relations held in foreign currencies with customers and suppliers and bank accounts.

Note 24 Taxes

The breakdown is shown in table below.

Breakdown of taxes			
(Euro thousands)	**2019**	**2018**	**Change**
Previous years' taxes	0	(6)	6
Current taxes	(186)	(177)	(9)
Tax assets of previous years recognised in the income statement	(1,922)	(922)	(1,000)
Deferred tax liabilities of previous years recognised in profit or loss	0	0	0
Deferred tax assets for the year	192	12,564	(12,372)
Deferred tax liabilities for the year	0	(66)	66
Prepaid (deferred) taxes	(1,730)	11,576	(13,306)
Taxes for the year	**(1,916)**	**11,393**	**(13,309)**
IRES (Corporate Income Tax)	(1,555)	10,205	(11,760)
IRAP (Regional Business Tax)	(361)	1,188	(1,549)
Taxes for the year	**(1,916)**	**11,393**	**(13,309)**

Note 25 Dividends

No dividend was resolved or distributed in 2019.

Note 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	**2019**	**2018**
Average number of shares during the year	36,414,212	33,698,910
Profit (loss) for the year (in thousands of Euro)	3,746	(38,700)
Basic and diluted earnings (loss) per share	**0.10**	**(1.15)**

The diluted earning per share as at 31 December 2019 corresponds to the basic earning per share since there are no dilution effects.

Note 27 Information on financial risks

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.

a) Credit risk

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

b) 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 2019:

	CREDIT LINES - MONDO TV SPA - 31.12.2019			
(values in Euro millions)	**Cash**	**Trade**	**Loans**	**Total**
Raiffeisen	0	0	2.30	**2.30**
Credit Agricole	0	0.50	0.50	**1.00**
CREDEM	0	0.40	0	**0.40**
CREDEM FACTORING	0	1.00	0	**1.00**
SIMEST	0	0	0.10	**0.10**
Veneto Banca	0	0	0.10	**0.10**
Total	**0**	**1.90**	**3.00**	**4.90**

c) 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.

d) Interest rate risk

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

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

2. Risks associated with dependency on key managers

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

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

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

4. Risks associated with litigation

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

Note 28 Remuneration to corporate bodies and executives

During the year ended 31 December 2019, the Board of Directors earned remuneration net of social security costs of Euro 195 thousand as resolved by the Company's Ordinary General Meeting on 30 April 2018 and by the Board of Directors' meeting of 01 June 2018. Remuneration is broken down as follows:

(Euro thousands)	**31.12.2019**	**31.12.2018**
Remuneration	195	195
Post-employment benefits	-	-
Other long-term benefits	-	-
Indemnities for the termination of employment	-	-
Stock options	-	-
TOTAL	**195**	**195**

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 remuneration**
Corradi	Monica	Board Member of Mondo TV S.p.A.	92
Corradi	Matteo	Chair and CEO of Mondo TV S.p.A.	50
Fedele	Aurelio	Independent director of Mondo TV S.p.A.	35
Marchetti	Carlo*	Director of Mondo TV S.p.A.	111
Mola	Angelica	Independent director of Mondo TV S.p.A.	13
		Total Directors	**301**
Ferrari	Marcello	Chair of the Board of Statutory Auditors of Mondo TV S.p.A.	15
Barra	Adele	Member of the Board of Statutory Auditors of Mondo TV S.p.A.	10
Romani	Vittorio	Auditor of Mondo TV	10
		Total Statutory Auditors	**35**
		Total Directors and Statutory Auditors	**336**

*Of which Euro 96 thousand as executive, Euro 15 thousand 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.

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.

Note 29 Remuneration of the Independent Auditors

As required by article 149-duodecies of the CONSOB Issuers' Regulation, the fees recorded by the Company in relation to the audit services during 2019 and amounting to Euro 55 thousand, are shown below. During the year, only audit services and services related to the implementation of the new accounting standards were provided.

Euro thousands

Type of service	Service provider	Recipient	Remuneration	Period
Audit	BDO Italia S.p.A.	Mondo TV S.p.A.	55	2019
Other services	BDO Italia S.p.A.	Mondo TV S.p.A.	16	2019
Total remuneration			**71**	

Note 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 2019 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.

Note 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.

Note 32 Significant events after year-end

To date, there have been no events after 31 December 2019 such as to make the current financial position substantially different from that resulting from the balance sheet at that date or to require adjustments or supplementary notes to the Financial Statements.

In Q1 2020, the collaboration with the German company Toon2Tango was strengthened, 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.

As of today, no significant impact is expected from the crisis relating to COVID-19, 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; 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; moreover, the media sector currently seems to be one of the least affected by the emergency; on the contrary, the audience for children's television channels is currently increasing and this could represent a business opportunity for the Group in the coming months.

In light of the above, the Board of Directors currently believes that the crisis relating to COVID-19 will not produce significant risks on the carrying value of the assets of Group companies (libraries, equity investments, trade receivables and deferred tax assets) and in general on business continuity.

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

With reference to the profit for the year of Euro 3,745,605, it is proposed that Euro 187,280 be allocated to the legal reserve and Euro 3,558,325 be carried forward.

* * * *

The Board of Directors' meeting of 30 March 2020 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 2019 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 article 154-bis, paragraphs 3 and 4, of Legislative Decree 24 February 1998, no. 58:

- the adequacy in relation to the characteristics of the company and
- the effective implementation of the administrative and accounting procedures for the preparation of the Separate Financial Statements as at 31 December 2019.

2. No significant aspects have emerged.

3. It is also certified that:

3.1 the Financial Statements as at 31 December 2019:

- 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, 30 March 2020

Chief Executive Officer	Head of Financial Reporting
Matteo Corradi	Carlo Marchetti

ANNEXES

1. CORPORATE BODIES AND COMMITTEES OF THE PARENT

Board of Directors[1]

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

Internal Control Committee

Chair
Aurelio Fedele
Members
Angelica Mola

Remuneration Committee

Chair
Angelica Mola
Members
Aurelio Fedele

Investor Relator

Piergiacomo Pollonio

Board of Statutory Auditors[2]

Marcello Ferrari (Chair)
Adele Barra
Vittorio Romani

Independent Auditors[3]

BDO Italia S.p.A.

Sponsor and Specialist

Banca Finnat

[1] In office until the approval of the financial statements as at 31 December 2020
[2] In office until the approval of the financial statements as at 31 December 2019
[3] In office until the approval of the financial statements as at 31 December 2023

2. POWERS AND CORPORATE GOVERNANCE

Powers

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

Corporate Governance

The Corporate Governance system, still being implemented, is inspired by the recommendations provided by the relevant committee of listed companies that drafted the Corporate Governance Code as well as by the subsequent legal provisions on the governance of listed Companies.
The Company is directed by a ***Board of Directors*** currently consisting of 5 members, as resolved by the General Meeting of 30 April 2018.
Mondo TV S.p.A.'s Board of Directors is the body responsible for defining the strategic, organisational, and operational policies, as well as verifying the existence and adequacy of the control systems necessary to assess the performance of the Parent and of the subsidiaries. In particular, the Board of Directors:

- delegates powers and duties to the directors and revokes them;
- determines, having consulted the Board of Statutory Auditors, and at the proposal of the Remuneration Committee, the directors' remuneration in conformity with art. 2389 of the Italian Civil Code 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 Chair of the meeting shall cast the deciding vote.
The Board of Directors' meeting of 14 May 2018 appointed both the Internal Control Committee and the Remuneration Committee.

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

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

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

The Chair and the Chief Executive Officer define the remuneration of subordinates within the scope of their delegated powers.
The Chair of the Board of Directors is responsible for calling the board's meetings, setting their agenda beforehand, coordinating the activities of the Board, and chairing the meetings.
During the formal and informal Board of Directors' meetings, the Chair ensures that each member of the Board

of Directors and of the Board of Statutory Auditors has as much information as possible on the Company's operations and, in particular, on the Chair activities in carrying out his duties.
During each meeting, the Board of Directors appoints, from time to time, a minute taker.

In accordance with the Articles of Association, the ***Board of Statutory Auditors*** consists of three standing auditors and of two alternate auditors appointed by the 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, headed by Piergiacomo Pollonio since 21/11/2018, was set up to facilitate the dialogue between the Company, shareholders and institutional investors.
The same is also specifically responsible for ensuring that the documents and information regarding the Company, in particular those that are price sensitive, are disclosed to the public in compliance with the instructions provided by CONSOB with regulation 11971 and by Borsa Italiana.

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

In the period from 1 January to 31 December 2019, the Board of Directors met 6 times. The Articles of Association do not provide for a minimum frequency of the Board of Directors' meetings. The delegated bodies have reported to the Board of Directors during the aforementioned meetings and in any case with the minimal quarterly frequency required by the Corporate Governance Code. The directors were informed on the items on the agenda with sufficient prior notice.

The current Board of Directors of Mondo TV S.p.A. will remain in office until the approval of the Financial Statements as at 31 December 2020, as resolved by the Shareholders' Meeting of 30 April 2018.

On 28 March 2008, the Parent's Board of Directors also implemented an organisational model pursuant to Legislative Decree 231/2001, which governs the administrative liability of legal entities, companies and associations, and indicates the rules and procedures to be complied with while carrying out the company's operations for a more correct and efficient management, also with the aim of relieving the Company from any liability under the aforementioned law. The organisational model requires the adoption of a code of ethics, which is available on the Company's website. A Supervisory Body, consisting of three members, verifies the execution and implementation of the model.
With reference to privacy legislation, it should be noted that the DPO (Data Protection Officer) was appointed in 2019.

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	**Liquidator** Yvano Dandrea
Mondo France S.A.	**Board of Directors** Matteo Corradi (Chair) Sylvie Mahé Eve Baron Carlo Marchetti Feliciana Gargano
Mondo TV Iberoamerica S.A.	**Board of Directors** Matteo Corradi Maria Bonaria Fois Jesus Garcia Carlo Marchetti Patricia Motilla
Mondo TV Producciones Canarias S.L.U.	**Board of Directors** Maria Bonaria Fois Matteo Corradi Enrico Martinis

4. LIST OF THE EQUITY INVESTMENTS IN THE SCOPE OF CONSOLIDATION

List of the equity investments held as at 31 Dec. 2019	
Company Name	**Mondo TV Suisse S.A.**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2019	CHF 2,004,224
Profit (loss) for the year 2019	CHF 916,184
Ownership interest	61%
Company Name	**Mondo TV France S.A.**
Registered Office	Paris (France)
Share capital	Euro 2,029,729
Equity as at 31.12.2019	Euro 3,096,988
Profit (loss) for the year 2019	Euro 258,759
Ownership interest	21%
Company Name	**Mondo TV Iberoamerica S.A.**
Registered Office	Madrid (Spain)
Share capital	Euro 2,967,743
Equity as at 31.12.2019	Euro 3,148,513
Profit (loss) for the year 2019	Euro (301,524)
Ownership interest	79%
Company Name	**Mondo TV Producciones Canarias S.L.U.**
Registered Office	Tenerife (Spain)
Share capital	Euro 2,900,000
Equity as at 31.12.2019	Euro 862,518
Profit (loss) for the year 2019	Euro 408,686
Ownership interest	79% (indirect investment)
Company Name	**Mondo TV Toys S.A. in liquidation**
Registered Office	Lugano (Switzerland)
Share capital	CHF 100,000
Equity as at 31.12.2018	CHF (165,720)
Profit (loss) for the year 2018	CHF (4,536)
Ownership interest	100%

LIST OF RELATED PARTIES

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