INTERIM REPORT ON OPERATIONS

Q1 2018

APPROVED BY THE BOARD OF DIRECTORS ON 14 MAY 2018

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1. HIGHLIGHTS

Reclassified condensed consolidated income statement		
(Euro thousands)	**Q1 2018**	**Q1 2017**
Revenues	7,800	7,341
Capitalisation of internally produced animated series	590	319
Operating costs	(1,784)	(2,125)
EBITDA	**6,606**	**5,535**
Amortisation and depreciation, impairment, and provisions	(1,648)	(1,545)
EBIT	**4,958**	**3,990**
Net finance income (expenses)	(113)	0
Profit (loss) of the period before tax	**4,845**	**3,990**
Income tax expense	(1,744)	(1,448)
Net profit (loss) for the period	**3,101**	**2,542**
Profit (loss) for the year attributable to non-controlling interests	(83)	(73)
Profit (loss) attributable to owners of the Parent	**3,184**	**2,615**

Reclassified condensed consolidated statement of financial position		
(Euro thousands)	**31.03.2018**	**31.12.2017**
Non-current fixed assets	**48,370**	**47,765**
Current assets	56,320	51,200
Current liabilities	(18,820)	(18,985)
Net working capital	**37,500**	**32,215**
Non-current liabilities	**(498)**	**(482)**
Invested capital	**85,372**	**79,498**
Net financial position	(2,194)	(1,789)
Shareholders' equity	**83,178**	**77,709**
Non-controlling interests	568	569
Equity attributable to owners of the Parent	**82,610**	**77,140**

Consolidated cash flow statement		
(Euro thousands)	Q1 2018	Q1 2017
A. OPENING CASH AND CASH EQUIVALENTS	2,408	1,810
Cash flow from (used in) operating activities before changes in working capital	4,765	4,084
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	520	843
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	(3,293)	(3,175)
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	4,088	7,466
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	1,315	5,134
F. CLOSING CASH AND CASH EQUIVALENTS	3,723	6,944

2. INTRODUCTION

2.1 General and methodological introduction

This interim report on the Group's operations in the first quarter of 2018 is on a consolidated basis and has been prepared in accordance with article 154-ter, paragraph 5 of Legislative Decree 58/1998 (CFA), as amended by Legislative Decree 195/2007, which implemented Directive 2004/109/EC (Transparency Directive) and takes into account the communication from CONSOB, the accounting rules office, dated 30.4.2008.

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

The income statement figures are shown with reference to the three months of the current year 2018 and are compared to the corresponding period of the previous year 2017.
The net financial position figures are compared with the closing figures for the previous year (31.12.2017).
All economic and financial figures are provided on a consolidated basis and are shown in Euro thousands.

The interim report on operations has not been audited.

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

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

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

ANNEXES

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

2.2 Accounting standards and measurement bases

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

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

The valuation of financial statement items was based on general prudence and accrual criteria, on a going concern basis.
Application of the principle of prudence has resulted in the individual valuation of the elements making up the individual items or items of assets and liabilities, in order to avoid offsetting losses that should have been recognised with unrealised gains.
In compliance with the accrual principle, the effect of transactions and other events was accounted for and allocated to the period to which such transactions and events refer, and not to the period in which the related cash movements (collections and payments) take place.

With regard to the criteria adopted for the valuation of the individual items of the statement of financial position and income statement, they are unchanged from those adopted when preparing the separate and consolidated financial statements at 31.12.2017. Reference is therefore made to said statements for an analytical description.

2.3 Consolidation scope and criteria

The financial statements of the consolidated companies as submitted by their respective Boards of Directors, have been used to prepare the interim report on operations at 31 March 2018. The financial statements prepared by the subsidiaries have been adjusted, where necessary, by the Parent Company to make them adherent to the IFRS.

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

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

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

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

2.4 Estimated figures

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

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

3. STATEMENTS OF QUANTITATIVE FIGURES

3.1 Statement of financial position at 31 March 2018 and comparisons with 2017

Statement of financial position

(Euro thousands)	31.03.2018	31.12.2017
Non-current assets		
- Intangible rights	*45,861*	*44,136*
- Other intangible assets	*17*	*12*
Intangible assets	45,878	44,148
Tangible assets	402	387
Deferred tax assets	1,896	3,036
Receivables	356	356
	48,532	**47,927**
Current assets		
Trade receivables	53,018	47,931
Tax assets	2,935	2,936
Other assets	367	334
Cash and cash equivalents	3,723	2,408
	60,043	**53,609**
Total assets	**108,575**	**101,536**
- Share capital	*15,492*	*15,308*
- Share premium provision	*29,583*	*27,767*
- Legal reserve	*2,642*	*2,642*
- Other reserves	*10,925*	*10,639*
- Retained earnings	*20,784*	*7,967*
- Profit (loss) for the period	*3,184*	*12,817*
Equity attributable to owners of the Parent	82,610	77,140
Non-controlling interests	568	569
Total equity	**83,178**	**77,709**
Non-current liabilities		
Provision for post-employment benefits	498	482
Financial payables	1,526	748
	2,024	**1,230**
Current liabilities		
Provisions for risks and charges	54	54
Trade payables	14,725	14,952
Financial payables	4,553	3,611
Tax liabilities	430	369
Other liabilities	3,611	3,611
	23,373	**22,597**
Total liabilities	**25,397**	**23,827**
Total liabilities + equity	**108,575**	**101,536**

3.2 Changes in the Group's net financial position

Consolidated net financial position		
(Euro thousands)	**31.03.2018**	**31.12.2017**
Cash and cash equivalents	3,723	2,408
Current financial payables due to banks	(4,553)	(3,611)
Net current financial position	**(830)**	**(1,203)**
Payables for convertible bonds	(1,108)	(330)
Non-current payables due to banks	(418)	(418)
Net non-current financial position	**(1,526)**	**(748)**
Net financial debt as per comm. Consob DEM/6064293	**(2,356)**	**(1,951)**
Non-current receivables due from third parties	162	162
Consolidated net financial position	**(2,194)**	**(1,789)**

3.3 Analysis of changes in intangible assets

Changes in intangible assets				
(Euro thousands)	**Intangible rights**	**Intangible rights in progress**	**Other intangible assets**	**TOTAL**
Cost as at 31.12.2015	152,825	4,269	1,213	158,307
Amortisation and impairment as at 31.12.2015	(140,978)		(1,180)	(142,158)
Net value 31.12.2015	**11,847**	**4,269**	**33**	**16,149**
Year 2016				
Increases in the period	12,330	8,138	9	20,477
Amortisation and impairment in the period	(5,231)		(39)	(5,270)
Cost as at 31.12.2016	165,155	12,407	1,222	178,784
Amortisation and impairment as at 31.12.2016	(146,209)		(1,219)	(147,428)
Net value 31.12.2016	**18,946**	**12,407**	**3**	**31,356**
Year 2017				
Increases in the period	18,959	0	10	18,969
Amortisation and impairment in the period	(6,176)	0	(1)	(6,177)
Cost as at 31.12.2017	184,114	12,407	1,232	197,753
Amortisation and impairment as at 31.12.2017	(152,385)	0	(1,220)	(153,605)
Net value 31.12.2017	**31,729**	**12,407**	**12**	**44,148**
Q1 2018				
Increases in the period	0	3,240	5	3,245
Amortisation and impairment in the period	(1,515)	0	0	(1,515)
Cost as at 31.03.2018	184,114	15,647	1,237	200,998
Amortisation and impairment as at 31.03.2018	(153,900)		(1,220)	(155,120)
Net value 31.03.2018	**30,214**	**15,647**	**17**	**45,878**

3.4 Income statement Q1 2018

Consolidated income statement		
(Euro thousands)	**Q1 2018**	**Q1 2017**
Revenue from sales and services	7,799	7,328
Other income	1	12
Capitalisation of internally produced animated series	590	319
Raw materials, consumables and goods	(17)	(21)
Personnel costs	(786)	(566)
Amortisation and impairment of intangible assets	(1,516)	(1,427)
Depreciation and impairment of tangible assets	(32)	(17)
Allowance for doubtful debts	(100)	(100)
Other operating costs	(981)	(1,538)
EBIT	**4,958**	**3,990**
Financial income	0	136
Financial expenses	(113)	(136)
Profit (loss) of the period before tax	**4,845**	**3,990**
Income tax expense	(1,744)	(1,448)
Net profit for the period	**3,101**	**2,542**
Profit (loss) for the year attributable to non-controlling interests	(83)	(73)
Profit (loss) attributable to owners of the Parent	**3,184**	**2,615**

3.5 Cash flow statement Q1

Consolidated cash flow statement		
(Euro thousands)	**Q1 2018**	**Q1 2017**
A. OPENING CASH AND CASH EQUIVALENTS	**2,408**	**1,810**
Group profit (loss) of the period	3,184	2,615
Profit (loss) for the year attributable to non-controlling interests	(83)	(73)
Total profit (loss) of the period	3,101	2,542
Depreciation, amortisation and impairment	1,648	1,544
Net change in provisions	16	(2)
Cash flow from (used in) operating activities before changes in working capital	**4,765**	**4,084**
(Increase) decrease in trade receivables	(5,187)	(737)
(Increase) decrease in tax assets	1,141	1,165
(Increase) decrease in other assets	(33)	(178)
Increase (decrease) in trade payables	(227)	(113)
Increase (decrease) in tax liabilities	61	(79)
Increase (decrease) in other liabilities	0	(3,299)
B. NET CASH FROM (USED IN) OPERATING ACTIVITIES	**520**	**843**
(Acquisition) / Disposal of		
- Intangible assets	(3,246)	(3,169)
- Tangible assets	(47)	(6)
C. NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(3,293)**	**(3,175)**
Changes in capital	2,368	7,319
Increase (decrease) in financial payables	1,720	147
D. NET CASH FROM (USED IN) FINANCING ACTIVITIES	**4,088**	**7,466**
E. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (B+C+D)	**1,315**	**5,134**
F. CLOSING CASH AND CASH EQUIVALENTS	**3,723**	**6,944**

4. EXPLANATORY AND SUPPLEMENTARY NOTES

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

The following table represents Q1 2018 compared to the corresponding period in 2017:

Reclassified condensed consolidated income statement		
(Euro thousands)	**Q1 2018**	**Q1 2017**
Revenues	7,800	7,341
Capitalisation of internally produced animated series	590	319
Operating costs	(1,784)	(2,125)
EBITDA	**6,606**	**5,535**
Amortisation and depreciation, impairment, and provisions	(1,648)	(1,545)
EBIT	**4,958**	**3,990**
Net finance income (expenses)	(113)	0
Profit (loss) of the period before tax	**4,845**	**3,990**
Income tax expense	(1,744)	(1,448)
Net profit (loss) for the period	**3,101**	**2,542**
Profit (loss) for the year attributable to non-controlling interests	(83)	(73)
Profit (loss) attributable to owners of the Parent	**3,184**	**2,615**

The production value amounted to approximately Euro 8.4 million in the period, an increase of 10% compared to the first three months of 2017 due to the increased volume of sales of rights.

Ebitda amounted to approximately Euro 6.6 million, an increase of 19% compared to approximately Euro 5.5 million in the first three months of 2017 due to the significant increase in the production value and the containment of structure and production costs.

EBIT was approximately Euro 5 million, up 24% compared to approximately Euro 4 million in the first three months of 2017.

Net profit, above all due to the increase in revenues, was approximately Euro 3.2 million compared to approximately Euro 2.6 million in the first three months of 2017, up 22%.

The net financial position was Euro 2.2 million of debt compared to Euro 1.8 million of debt at 31 December 2017.

The Group's shareholders' equity was 82.6 million, an increase of 5.5 million compared to 77.1 million at 31 December 2018, due to the result for the period and the conversions of Atlas convertible bonds.

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

The production value amounted to approximately Euro 7.1 million in the period, an increase of 3% compared to the first three months of 2017.

Ebitda amounted to approximately Euro 6.2 million, an increase of 14% compared to approximately Euro 5.4 million in the first three months of 2017 due to the increase in the production value and the containment of structure and production costs.

EBIT was approximately Euro 4.8 million, up 18% compared to approximately Euro 4.1 million in the first three months of 2017.

Net profit was approximately Euro 3.1 million compared to approximately Euro 2.7 million in the first three months of 2017, up 17%.

The net financial position was Euro 5.1 million of cash compared to a financial position of Euro 4.9 million of cash at 31 December 2017.

Shareholders' equity of the parent company amounted to Euro 82.6 million, an increase of Euro 5.3 million compared to Euro 77.3 million at 31 December 2017, due to the result for the period and the conversion of convertible bonds issued under the Atlas contract.

4.2 Significant events and transactions in Q1 2018 and their impact on the Group's financial and economic position

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

The subject of the Request was the fourth and last tranche of 12 bonds for a total counter-value of Euro 3,000,000.

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

On 20 March 2018, a new agreement was signed between the Parent Company and Henan York for the start of the study phase of the conditions for the realization of a theme amusement park in China by a possible joint venture.
The agreement concerns the start and completion of a study phase on the feasibility of the project by September 2019; it is emphasized that the agreement does not in any way bind the parties to later proceed with the realization of the park, since the same have not made any commitment, even conditional, in this regard.

4.3 Events after period-end and outlook for the year

On 19 April, Mondo TV signed an agreement with My Theater D.D., a Tokyo-based company engaged in the production and distribution of cartoons, for Mondo TV to join the group of companies that are producing a new animation series called “Piano no Mori”.

The series, currently in production, has already been acquired by Netflix, which will broadcast it in 190 countries worldwide as already announced on the Internet.

The series will consist of 24 episodes of 25 minutes each and is based on the property Piano no Mori, the subject of the well-known and eponymous manga comic series.

With this agreement, Mondo TV acquires a minority but important share in the ownership of the series. In addition, Mondo TV will handle the distribution of the series in Europe, Russia and North Africa, both on the licensing and merchandising side and, once the exploitation period by Netflix is over, on the media side.

On 18 April 2018, the Mondo TV Board of Directors approved the stipulation of an investment agreement with Atlas Special Opportunities to issue a new line of convertible bonds for up to Euro 18 million in only 2 tranches of Euro 11 million and Euro 7 million to be called by 2018.

Mondo TV will also issue a global warrant in favour of Atlas, exercisable within five years from the issue date, for the subscription of 450,000 Mondo TV shares at the price of Euro 7.50 per share for a maximum total value of Euro 3,375,000.

Mondo TV lays the foundations for the start of a new phase that will allow the company to look around aggressively to accelerate its growth prospects, also through external lines.

On 8 May 2018, the Rome provincial tax department fully upheld the appeal filed by the Company against the assessment notices for 2011 for the portion relating to VAT and IRAP, referred to several times in the Company’s financial reports. After the positive conclusion of the judgement for 2010, the first level of judgement for 2011 has also been concluded positively for the Company.

It should be noted that in the assessment notices the company was notified of its failure to declare positive elements amounting to approximately Euro 1.1 million, including penalties.

On behalf of the Board of Directors
Chief Executive Officer

(Matteo Corradi)

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

The company's head of financial reporting, Carlo Marchetti, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Finance Act, that the information contained in this document "Interim Report on Operations Q1 2018" corresponds to the document results, accounting books and records.

Head of Financial Reporting
Carlo Marchetti

3. ANNEXES

3.1 PARENT COMPANY CONDENSED FINANCIAL STATEMENTS

Mondo TV S.p.A. statement of financial position		
(Euro thousands)	**31.03.2018**	**31.12.2017**
Non-current fixed assets	**42,987**	**42,743**
Current assets	52,001	48,224
Current liabilities	(16,173)	(17,402)
Net working capital	**35,828**	**30,822**
Non-current liabilities	**(1,260)**	**(1,244)**
Invested capital	**77,555**	**72,321**
Net financial position	5,088	4,933
Shareholders' equity	**82,643**	**77,254**

Reclassified condensed income statement		
(Euro thousands)	**Q1 2018**	**Q1 2017**
Revenues	6,848	6,649
Capitalisation of internally produced animated series	281	292
Operating costs	(931)	(1,495)
EBITDA	**6,198**	**5,446**
Amortisation and depreciation, impairment, and provisions	(1,373)	(1,372)
EBIT	**4,825**	**4,074**
Net finance income (expenses)	(44)	13
Profit (loss) of the period before tax	**4,781**	**4,087**
Income tax expense	(1,654)	(1,426)
Profit (loss) for the year	**3,127**	**2,662**

3.2 CORPORATE BODIES OF THE PARENT

Board of Directors[1]

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

Investor Relator

Matteo Corradi

Board of Statutory Auditors[4]

Marcello Ferrari (Chair)
Adele Barra
Vittorio Romani

Independent Auditors[5]

BDO Italia S.p.A.

Sponsor and Specialist

Intermonte

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

3.3 CORPORATE BODIES OF THE SUBSIDIARIES

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