Half-Yearly Financial Report as at 30 June 2018

drafted according to IAS/IFRS international accounting standards

Approval: Board of Directors on 17 September 2018

NOTORIOUS PICTURES SPA

Registered office: LARGO BRINDISI 2 – 00182 - ROME
Head office: VIA DELLA SIGNORA 2a – 20122 MILAN
Enrolled in the Business Registry of: ROME
Taxpayer Code and registration number: 11995341002
Enrolled in the ROME Economic and Administrative Index, no. RM-1342431
Subscribed share capital EUR: 562,287.00 fully paid-in
VAT no.: 11995341002

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1. BOARD OF DIRECTORS' REPORT

All tables included in this report are drawn up in units of Euro unless otherwise specified.

1.1 KEY DATA

Income Statement Data	1st half 2018	1st half 2017	Change	%
Revenues	21,321,934	9,143,329	12,178,605	133.20%
Operating costs	(12,337,849)	(4,825,277)	(7,512,573)	155.69%
Value added	**8,984,085**	**4,318,052**	**4,666,033**	**108.06%**
% value added	*42.1%*	*47.2%*		
Personnel costs	**(1,027,618)**	**(523,473)**	(504,145)	96.31%
EBITDA	**7,956,467**	**3,794,580**	**4,161,888**	**109.68%**
% EBITDA	*37.3%*	*41.5%*		
Depreciation, amortisation, and provisions	(4,549,595)	(2,199,161)	(2,350,434)	106.88%
EBIT	**3,406,873**	**1,595,419**	**1,811,454**	**113.54%**
% EBIT	*16.0%*	*17.4%*		
Net financial charges	(10,233)	(47,890)	37,657	-78.63%
Pre-tax profit/(loss)	**3,396,640**	**1,547,529**	**1,849,111**	**119.49%**
Taxes	(374,170)	(386,128)	11,958	-3.10%
Net profit/(loss) for the year	**3,022,470**	**1,161,401**	**1,861,069**	**160.24%**
% profit/(loss)	*14.2%*	*12.7%*		
EPS	***0.14***	***0.05***		

Statement of Financial Position Data	30/06/18	31/12/17	Change	%
Fixed assets	**11,881,852**	**13,839,746**	**(1,957,894)**	**-14%**
Operating assets	20,575,742	13,344,351		
Operating liabilities	(9,690,533)	(7,218,760)		
Net working capital	**10,885,209**	**6,125,590**	**4,759,618**	**78%**
Provisions	**5,332,235**	**5,164,559**	**167,676**	**3%**
Net invested capital	**17,434,827**	**14,800,778**	**2,634,049**	**18%**
Net financial position	**(5,137,658)**	**(6,218,889)**	**1,081,231**	**-17%**
Shareholders' equity	**22,572,485**	**21,019,667**	**1,552,818**	**7%**

Net financial position	**30/06/18**	**31/12/17**	**Change**	**%**
Cash and cash equivalents	5,137,658	6,218,889	(1,081,231)	-17%
Net financial position	**(5,137,658)**	**(6,218,889)**	**1,081,231**	**-17%**

Cash Flow Statement	**30/06/18**	**30/06/17**
A. Opening balance - cash and cash equivalents	6,218,889	3,848,561
B. Cash flow from operations	2,978,689	3,753,459
C. Cash flow from investment activities	(2,591,701)	(3,121,131)
D. Cash flow from financing activities	(1,468,219)	(1,177,569)
E. Net increase (decrease) in cash and cash equivalents	(1,081,231)	(545,241)
F. Closing balance - cash and cash equivalents	5,137,658	3,303,320

Operating performance and financial results

The year 2018 was one of organisational consolidation and further development of the managed businesses. The considerable investments made in the second half of 2017 also continued throughout 2018 to launch production activities and purchase rights for Direct to Video (DTV) sales.

The implementation of the new "Franceschini" law (Law 220/2016) targeted at developing the entire film sector, also had positive repercussions on Notorious' activities. International producers started to see Italy as an attractive country in terms of tax concessions, and due to the undoubted and proven professional talents of film industry personnel.

The project to diversify the business continued, with the strengthening of national production activities and international co-productions, which has allowed us to begin a path of robust and sustainable growth. The executive production business recorded a significant increase compared to 2017 and, in the first half of 2018, the executive productions of the foreign films "Bent" and "Lamborghini" commenced.

With reference to the film productions in association with third party operators, in the first half of 2018, Notorious Pictures completed the co-production of the film "Quanto basta" (How much is enough), released to cinemas in April and began a new, co-production of the film "Non è vero ma ci credo" (It's not true but I believe it), which will be distributed to cinemas in October 2018. Furthermore, investments continued to enrich the library for sales to television and new media.

As regards the works for which the Company acquired the exclusive distribution rights for Italy, the most successful films in the half include “Belle e Sebastien – Amici per sempre” (Belle and Sebastien – Friends for life) and “Escobar – il fascino del male” (Loving Pablo).

Revenues for the first half of 2018 amounted to EUR 21,322 thousand (EUR 9,143 thousand in the first half of 2017), marking an increase of around 133%. With respect to the first half of 2017, the best performances were recorded by theatrical revenues, which rose from EUR 1,450 thousand in the first half of 2017 to EUR 3,983 thousand in the first half of 2018, Free TV revenues, which went from EUR 2,730 thousand in the first half of 2017 to EUR 3,665 thousand in the first half of 2018 and Pay TV revenues, which rose from EUR 2,680 thousand in the first half of 2017 to EUR 3,530 thousand in the first half of 2018. It should be noted that the first half of 2018 benefitted from revenues from executive production, totalling EUR 8,686 thousand (relating to the above-mentioned works), of which EUR 1,774 thousand from the relative tax credit, compared to EUR 416 thousand in the first half of 2017.

EBITDA amounted to EUR 8 million, up by 110% from EUR 3.8 million at 30 June 2017; the EBITDA margin stood at 37.3% (41.5% at 30 June 2017) owing to the lower margins from executive production activities with respect to other business areas.

Net operating profit (EBIT) was EUR 3.4 million, up by 114% compared with the EUR 1.5 million at 30 June 2017; the margin on revenues came to 16%.

Net profit was EUR 3 million, up by 160% from EUR 1.1 million in the first half of 2017, or 12.7% of revenues compared to 14.2% at 30 June 2018.

The Company recorded a negative **net financial position** (net cash) of EUR 5.1 million (EUR 6.2 million at 31 December 2017) after paying dividends totalling EUR 1.2 million in May 2018 and investing EUR 2.6 million to acquire films, of which EUR 0.8 million were advances for films that will be released in the second half of 2018 and 2019, and EUR 1.791 million for films that were released in the first half of 2018.

Net shareholders’ equity is equal to EUR 22.572 million (EUR 21.020 million at 31 December 2017).

The financial data confirm the solidity of the business.

Alternative performance indicators

In addition to conventional financial schedules and indicators envisaged by IFRS, certain reclassified schedules and alternative performance indicators are presented in this document that allow a better assessment of the company’s economic/financial performance. These schedules and indicators should not be considered as substitutes for the conventional IFRS schedules. For these figures, in compliance with the ESMA Guidelines 2015/1415 regarding alternative performance indicators ("Non-GAAP Measures"), the descriptions of criteria adopted in their preparation and specific references to items contained in the mandatory schedules are provided.

In particular, the alternative indicators used include:

- **ROE:** Return on Equity – index of return on own capital = (Net profit/Shareholders' equity)*100
- **ROA**: Return on Asset - index of return on invested capital = current profit before financial charges/total assets
- **EBIT**: operating profit/(loss) before financial charges and taxes
- **EBITDA**: operating profit/(loss) before depreciation, amortisation, write-downs, financial charges, and taxes
- **Equity less non-current assets**: difference between shareholders' equity and fixed assets
- **Equity plus non-current liabilities minus non-current assets**: difference between shareholders' equity + non-current liabilities and fixed assets
- **Quick ratio**: ratio of current assets to current liabilities
- **Current ratio**: ratio of current assets net of inventories to current liabilities.

The following table shows some profitability ratios for the first half of 2018 (compared with the corresponding ratios at 30 June 2017):

Profitability indices	**1st half 2018**	**1st half 2017**
ROE	13%	6%
ROA	9%	5%
EBITDA Margin	37%	42%
EBIT Margin	16%	17%

The company's solid financial position (i.e., its ability to maintain financial balance in the medium to long term) is evident in the reclassified balance sheet.

To supplement the description of the company's financial soundness, the table below shows some financial statement ratios relating both to the funding method of medium/long-term loans as well as the breakdown of funding sources (against the corresponding ratios at 31 December 2017) .

Structural indices	30/06/18	31/12/17
Equity less non-current assets (SE - fixed assets)	10,690,633	7,179,921
Equity to non-current asset ratio	190%	152%
Equity plus non-current liabilities minus non-current assets	16,022,867	12,344,479
Equity plus non-current liabilities to non-current assets ratio	235%	189%
Quick ratio	265%	271%
Current ratio	263%	268%

The items shown in the reclassified financial statements above and on the following pages are in part taken from the schedules required by reference accounting standards (IAS/IFRS) and shown below in this document, and in part aggregated; the breakdown and definitions of the latter are as follows:

Operating assets: sum of inventories, trade receivables, tax credits and other assets.

Non-current assets: sum of the items “Distribution/Production Rights” and “Dubbing rights”, other intangible assets, tangible assets, financial receivables, and deferred tax assets.

Operating liabilities: sum of trade payables, tax payables, as well as other short-term liabilities and provisions.

Non-current liabilities: sum of the provision for risks, deferred tax liabilities, and employee severance indemnity.

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

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

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

Depreciation, amortisation, and provisions: sum of amortisation and write-downs of intangible assets, depreciation and write-downs of tangible assets, and bad debt provisions.

1.2 GENERAL COMMENTS

Key corporate events

The key corporate events that occurred during the first half of 2018 are summarised below.

8 March 2018: Acquisition of 4 new films at the European Film Market in Berlin.

3 May 2018: Agreement signed for the executive production of the film “LAMBORGHINI” – job value EUR 10.3 million

7 June 2018: Distribution agreement with Sky Italia renewed for a further 3 years

29 June 2018: Agreement signed with Mediaset for the concession of Free TV rights for a package of family films

Corporate structure

The results of the shareholders' registry as at 30 June 2018 are summarised in the following table:

Results of the shareholders' registry as at 30 June 2018			
Guglielmo Marchetti	Italy	18,449,600	
total shareholders holding more than 2%		**18,449,600**	**82.03%**
NOTORIOUS PICTURES - Treasury shares	Italy	468,800	2.08%
Roberto Lombardi	Italy	360,000	1.60%
Maintower sicav	Luxembourg	349,800	1.56%
total shareholders holding between 1% and 2%		**1,178,600**	**5.24%**
Tiziana Bonicalzi	Italy	220,800	0.98%
8A+Investimenti SGR Spa	Italy	159,960	0.71%
AZ Fund 1	Luxembourg	120,000	0.53%
Cardif Vita Compagnia Assic e Riass spa	Italy	119,160	0.53%
total shareholders holding between 0.5% and 1%		**619,920**	**2.76%**
other shareholders		**2,243,360**	**9.97%**
Total		**22,491,480**	**100.00%**

Results of the shareholders' registry as at 30 June 2018		
1 shareholder holding more than 2%	18,449,600	82.03%
3 shareholders holding between 1% and 2%	1,178,600	5.24%
4 shareholders holding between 0.5% and 1%	619,920	2.76%
other shareholders	2,243,360	9.97%
Total	**22,491,480**	**100%**

Share price performance

As at 30 June 2018, the share price was EUR 1.82, with a capitalisation of EUR 40,934,494.

The trend in the share price is provided in the following table:

Date	Price	Shares	Market cap
23-Jun-2014	3.00000	22,316,000	66,948,000
31-Dec-2014	2.76000	22,316,000	61,592,160
30-Jun-2015	2.83400	22,316,000	63,243,544
30-Jul-2015	2.97800	22,491,480	66,979,627
31-Aug-2015	2.90000	22,491,480	65,225,292
31-Dec-2015	2.06600	22,491,480	46,467,398
30-Jun-2016	1.01000	22,491,480	22,716,395
31-Dec-2016	0.84000	22,491,480	18,892,843

30-Jun-2017	1.15200	22,491,480	25,910,185
29-Dec-2017	1.36300	22,491,480	30,655,887
30-Jun-2018	1.82000	22,491,480	40,934,494

Buy-Back Plan

As already outlined in the 2017 annual report, at the Shareholders' Meeting on 8 November 2017, a new plan to purchase and sell treasury shares ("Buy-Back Plan") was resolved in order to:

- provide the Company with a portfolio of securities to be used as consideration for extraordinary transactions;
- fulfil obligations deriving from any share incentive plans for Notorious Pictures' directors, employees and collaborators, which include the assignment of purchase options or free allocation of shares;
- carry out, in compliance with governing regulations, the activities supporting the share's liquidity in the market and the stabilisation of trading prices, maintaining equal treatment of shareholders.

Note that the authorisation for the purchase and sale of treasury shares is not intended for transactions to reduce share capital by cancelling purchased treasury shares.

The primary characteristics of the Buy-Back Plan approved by the Shareholders' Meeting are:

- duration of 18 months from the date of approval, with purchase and sale in one or more tranches, exercisable at any time;
- purchase of ordinary shares up to the maximum permitted pursuant to art. 2357, paragraph 1, of the Italian Civil Code, or within the limits of distributable profits and available reserves resulting from the latest approved financial statements, equal to EUR 7,817,030;
- right to subsequently dispose of treasury shares, without time limits and even before having reached the maximum quantity that can be bought, and possibly to repurchase shares to the extent that the treasury shares held by the company do not exceed the limit set by art. 2357-ter, paragraph 1, of the Italian Civil Code.

The previous Buy-Back Plan, which concluded in 2017, registered a purchase of 231,200 treasury shares.

The new Buy-back activities started in December 2017 and, as at 30 June 2018, total treasury shares purchased amounted to 468,800 shares, representing 2.0843% of the 22,491,480 outstanding shares; the total outlay for purchases of treasury shares during the year amounted to EUR

283,698.72, which is allocated in a specific negative equity reserve, together with the amount already allocated previously.

1.3 DESCRIPTION OF OPERATING CONDITIONS FOR BUSINESS ACTIVITIES

Operating conditions

Notorious Pictures is an independent company active in the production and acquisition of films, and in the distribution and marketing of the rights for these films in all utilisation channels (cinema, home video, television, and New Media).

During the first half of 2018 Notorious Pictures distributed 8 cinematographic works in cinemas, generating a Box Office of € 9,570,907, with a total attendance of 1,557,807 (Source: Cinetel). In the second half of 2018, 12 cinematographic works are expected to be released, one of which a documentary.

Film library acquisitions and distribution

In the first half of 2018, Notorious Pictures actively participated in the leading global markets and festivals for the industry and, based on the excellent relationships established with primary sector operators, has managed to acquire 4 new films that strengthen the 2019 line-up.

With a view to enhancing the library, in the first half of 2018, the distribution rights of around 300 films were acquired en bloc, geared towards increasing the sale of DTV rights.

Since it began its business activities, Notorious Pictures has chosen to strengthen its competitive position in theatrical distribution by selecting films having a notable artistic and commercial value.

This commercial approach has resulted in the company strengthening its presence throughout the distribution chain, allowing it to negotiate and finalise agreements with the main Italian players in these sectors, such as UCI Italia S.p.A. (“UCI”), The Space Cinema 1 S.p.A. (“The Space”), Rai Cinema S.p.A. (“Rai Cinema”), Arnoldo Mondadori Editore S.p.A. (“Mondadori”), Sky Italia, Mediaset, RSI, Apple, Google, Netflix, Chili, Vodafone and TIMVISION.

Commercial agreements

In the first half of 2018, Notorious Pictures renewed the commercial agreement with SKY Italia for the exclusive concession of the rights to films that will be distributed in cinemas by Notorious from 1 July 2018 to 30 June 2021. The films acquired by Sky Italia will be broadcast on the Pay per View, Pay TV and Video on Demand channels.

Notorious Pictures signed and executed a commercial agreement with Mediaset RTI in June for the exclusive concession of Free TV rights of a package of films.

In addition, Notorious Pictures signed and executed an agreement with RAI Cinema for the concession of Free TV rights of a library of 32 films.

1.4 INVESTMENTS DURING THE YEAR

As more fully described below, investments were related to the acquisition of films for EUR 2,580 thousand, of which approximately EUR 789 thousand as advances on films that will be released in the second half of 2018 and 2019, and EUR 1,791 thousand for films that were released in the first half of 2018.

Investments representing the “core business” are those made for improvement of the library. The situation at the reference date of these half-yearly financial statements is shown in the following table:

Library investments	Distribution rights	Dubbing rights	Works in progress and advances	Total library
2012 gross investments	225,828	150,975	-	376,803
2013 gross investments	1,495,213	451,874	-	1,947,087
2014 gross investments	6,757,031	450,362	325,376	7,532,769
2015 gross investments	2,689,450	317,250	1,877,982	4,884,681
2016 gross investments	2,615,634	381,800	3,906,680	6,904,114
2017 gross investments	3,040,117	493,443	3,578,028	7,111,588
2018 gross investments	1,699,928	91,400	788,627	2,579,955
Total library	**18,523,201**	**2,337,104**	**10,476,693**	**31,336,998**

In addition, around EUR 2.5 million was invested in costs to launch films released in cinemas in the first half of 2018, with a multi-year value but expensed in the year in which they were incurred, in compliance with international accounting standards.

1.5 CORPORATE GOVERNANCE

Board of Directors[1]

Chairman and CEO

Guglielmo Marchetti

Deputy Chairman

Ugo Girardi

Directors

Stefano Di Giuseppe - Leonardo Pagni - Davide Rossi[2]

[3]**Board of Statutory Auditors**

Paolo Mundula (Chairman) - Marco D'Agata - Giulio Varrella

Supervisory Body

Fabrizio Ventimiglia (Chairman) – Paolo Mundula – Patrizia Giannini

Independent Auditors[4]

Deloitte & Touche S.p.A.

Proxies

The Chairman Guglielmo Marchetti is the company's legal representative as required by art. 16 of the Articles of Association.

On 27 April 2018, the Board of Directors confirmed Guglielmo Marchetti as Chief Executive Officer, granting him broad powers for the management of the company's activities.

On the same date, deputy powers were granted to the Deputy Chairman Ugo Girardi.

Corporate Governance

The Corporate Governance system is based on recommendations provided by the specific committee of listed companies that developed the Code of Conduct.

The Company is administered by a ***Board of Directors*** currently composed of 5 members, appointed by the Shareholders' Meeting on 27 April 2018, and shall remain in office until approval of the financial statements as at 31.12.2020.

The Board of Directors is the body in charge of defining strategic, organisational and implementing guidelines, as well as verifying the existence and adequacy of control systems necessary to verify the

[1] In office until approval of the Financial Statements at 31.12.2020
[2] Independent Director
[3] In office until approval of the Financial Statements at 31.12.2020
[4] In office until approval of the Financial Statements at 31.12.2020

company's performance. In particular, the Board of Directors:

- ✓ grants and revokes proxies and operational responsibilities to directors;
- ✓ determines, after consulting the Board of Statutory Auditors, the compensation of directors pursuant to art. 2389, paragraph 3 of the Italian Civil Code;
- ✓ reviews and approves the company's strategic plans;
- ✓ monitors the regular performance of operations and specifically examines and approves large transactions;
- ✓ verifies the adequacy of the general organisational and administrative structure;
- ✓ monitors, in particular, situations of conflicts of interest, including potential, and transactions with related parties;
- ✓ reports to the shareholders' meeting.

The Board of Directors is validly convened when an absolute majority of the directors in office are present and resolves with the favourable vote of the majority of those present.

The Board of Directors has not appointed an Executive Committee, Internal Control Committee, or Remuneration Committee.

The compensation of employees, with the exception of those designated as executives, is defined by the Chief Executive Officer within the context of the powers attributed to him.

The Chairman of the Board of Directors is responsible for convening board meetings, setting the agenda in advance, coordinating the Board's activities, and presiding over meetings.

During formal and informal meetings of the Board of Directors, the Chairman ensures that each member of the Board of Directors and the Board of Statutory Auditors has the most detailed information possible on the company's business activities and, in particular, the activities carried out by the Chairman in exercising the proxies delegated to him.

At each meeting, the administrative body appoints a secretary to record the minutes.

The ***Board of Statutory Auditors*** consists of three statutory auditors and two alternate auditors elected by the shareholders' meeting, who also establish their fees.

The auditors are aware that they must:

- ✓ act with autonomy and independence, including with regard to the shareholders who appointed them;
- ✓ act solely in the interest of the company;
- ✓ control the management of the company by the Board of Directors;

- ✓ coordinate their activities with that of the independent auditors.

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 27 April 2018, and shall remain in office until approval of the financial statements as at 31.12.2020.

The **Supervisory Board** consists of three members elected by the Board of Directors.

The members of the Supervisory Board must ensure propriety and transparency in conducting business activities, in protecting the company's position and image in the market, as well as shareholders' expectations and the work of employees, in the belief that by voluntarily adopting the Model it is possible to increase awareness of all those who work for and on behalf of the company, so that these parties, in carrying out their activities, base their conduct on principles of propriety, transparency and consistency, so as to prevent the risk of committing the offences contemplated in the decree.

Not only does the adoption and effective implementation of this system allow the company to benefit from the exemption provided by the Legislative Decree 231/2001, but within the limits of the Decree, it improves the company's Corporate Governance, reducing the risk of committing the Offences covered by Legislative Decree 231/2001.

1.6 MANAGEMENT OUTLOOK

The management will continue the strategy of integration and growth in the area of co-productions and productions by signing new commercial agreements with independent Italian and foreign operators. In addition, investments will continue to enhance the library intended for the entire distribution chain, with a focus on sales to Broadcast TV and New Media (EST, VOD and SVOD).

1.7 SIGNIFICANT EVENTS AFTER 30 JUNE 2018

No events or transactions occurred that could influence these financial statements.

We should point out that, on *10 July 2018*, Notorious Pictures launched an international co-production with the Belgian company Tarantula for the film "The Shift". The total spending budget amounted to around EUR 3.7 million, of which 60% relating to Notorious and 40% to the Belgian company Tarantula.

On *18 July 2018*, Notorious signed an agreement for the executive production of the film "Across the river, into the trees", worth EUR 5.1 million.

Shooting of the film “Copperman” started in July 2018, for which Notorious is the co-producer with Rai Cinema and Elio Film, which is also overseeing the executive production of the film.
July also saw an associate production agreement signed for the film “Achille Tarallo”, which will be distributed in cinemas by Notorious in October 2018.
In September 2018, post-production of the film “Non è vero ma ci credo” (It’s not true but I believe it) was completed, which will be distributed in cinemas in October 2018.
In addition, on 6 September 2018, a new agreement was signed with Sky Italia worth around EUR 1.6 million for the television distribution of 22 films.

The company’s business activities are essentially proceeding according to the strategic directions described in the published plans.
At the date of drafting of this report, the share value continued its rising trend.

2. ACCOUNTING SCHEDULES AND NOTES

2.1 STATEMENT OF FINANCIAL POSITION AS AT 30.06.2018

FINANCIAL POSITION	Notes	As at 30/06/18	As at 31/12/17	Change	Change %
Non-current assets					
- Distribution rights		*7.401.392*	*7.346.960*	*54.432*	1%
- Publishing rights		*595.589*	*627.493*	(31.904)	-5%
- Works in progress and advances		*3.637.316*	*5.593.618*	(1.956.303)	-35%
- Other intangible assets		*124.529*	*138.304*	(13.776)	-10%
Intangible assets	4	11.758.825	13.706.375	(1.947.550)	-14%
Tangible assets	5	69.472	82.137	(12.665)	-15%
Financial assets	6	14.588	12.265	2.323	19%
Deferred tax assets	7	38.968	38.968	-	0%
Total non-current assets		**11.881.853**	**13.839.745**	**(1.957.892)**	-14%
Current assets					
Inventories	8	203.375,00	181.729,00	21.646	12%
Trade receivables	9	17.779.928,00	12.409.747,00	5.370.181	43%
Tax credits	7	2.395.003,00	405.199,00	1.989.804	491%
Other current assets	10	197.435,49	347.676,00	(150.241)	-43%
Cash and cash equivalents	11	5.137.658,49	6.218.889,00	(1.081.231)	-17%
Total current assets		**25.713.400**	**19.563.240**	**6.150.160**	31%
Total assets		**37.595.253**	**33.402.985**	**4.192.267**	**17%**
Non-current liabilities					
Employee severance indemnity	12	246.883	245.075	*1.808*	1%
Provisions	12	87.036	87.036	-	0%
Deferred tax liabilities	7	4.998.316	4.832.448	*165.868*	3%
Total non-current liabilities		**5.332.235**	**5.164.559**	**167.676**	3%
Current liabilities					
Trade payables	13	8.841.174	6.685.686	*2.155.488*	32%
Income tax payables	7	309.550	136.007	*173.543*	128%
Other current liabilities	14	539.808	397.066	*142.742*	36%
Total current liabilities		**9.690.533**	**7.218.760**	**2.471.773**	34%
Total liabilities		**15.022.767**	**12.383.319**	**2.639.448**	**37%**
- Share capital		562.287	562.287	-	0%
- (Treasury shares)		(469.185)	(199.035)	(270.150)	136%
- Other Reserves and Retained Earnings		19.456.913	19.177.036	279.877	1%
- Profit/(loss) for the year		3.022.470	1.479.379	1.543.091	104%
Total shareholders' equity	15	**22.572.485**	**21.019.667**	**1.552.818**	**7,4%**
Total liabilities + shareholders' equity		**37.595.253**	**33.402.985**	**4.192.267**	**12,6%**

2.2 INCOME STATEMENT

Income statement	30/06/18	30/06/17	Change	Change %
Revenues from sales and services	19.103.576	8.391.515,00	10.712.061	128%
Other revenues and income	2.196.713	717.761	1.478.952	206%
Change in finished product inventories	21.646	34.054	(12.408)	-36%
Total Revenues	**21.321.935**	**9.143.329**	**12.178.606**	**133%**
Operating costs	(12.287.981)	(4.718.684)	(7.569.297)	160%
Costs for raw materials, consumables, and goods	(120.858)	(124.026)	3.168	-3%
Costs for services	(12.084.953)	(4.521.647)	(7.563.306)	167%
Use of third party assets	(82.170)	(73.011)	(9.159)	13%
Personnel costs	(1.027.618)	(523.473)	(504.145)	96%
Sundry charges and income	(49.868)	(106.592)	56.724	-53%
Amortisation of intangible assets	(4.535.980)	(2.185.362)	(2.350.618)	108%
Depreciation of tangible assets	(13.615)	(13.799)	184	-1%
Operating result	**3.406.873**	**1.595.419**	**1.811.454**	**114%**
Financial income and charges	(10.233)	(47.890)	37.657	-79%
Profit before tax	**3.396.640**	**1.547.529**	**1.849.111**	**119%**
Income taxes	(374.170)	(386.128)	11.958	-3%
Net profit/(loss)	**3.022.470**	**1.161.401**	**1.861.069**	**160%**

2.2.1 STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income	1st half 2018	1st half 2017
Net profit/(loss)	**3,022,470**	**1,161,401**
Components to be reclassified in Income Statement		
Components reclassified in Income Statement		
Components not reclassified in Income Statement		
Total other profits/(losses) net of tax effect	-	-
Comprehensive profit/(loss)	3,022,470	1,161,401

2.3 CASH FLOW STATEMENT

CASH FLOW STATEMENT	As at 30/06/18	As at 30/06/17
A. OPENING BALANCE - CASH AND CASH EQUIVALENTS	6.218.889	3.848.561
Income Management		
Profit for the year	**3.022.470**	**1.161.401**
adjustments for non-monetary items not recorded as items in the NWC		
Depreciation and amortisation	4.549.595	2.199.161
Change in provisions	1.808	37.700
Change in tax provision	165.868	
Change in provision for returns		
Cash flow before changes in working capital	**7.739.740**	**3.398.262**
(Increase) decrease in inventories	(21.646)	(34.054)
(Increase) decrease in trade receivables	(5.370.182)	321.973
(Increase) decrease in tax credits	(1.989.804)	74.112
(Increase) decrease in accrued income and prepayments		
(Increase) decrease in other current assets	150.241	133.632
Increase (decrease) in trade payables	2.155.488	(170.377)
Increase (decrease) in income tax payables	173.543	6.465
Increase (decrease) in other current liabilities	141.308	23.446
B. CASH FLOW FROM OPERATIONS	**2.978.689**	**3.753.459**
(Investments) Disinvestments		
- Intangible assets	(2.588.428)	(3.117.118)
- Tangible assets	(951)	(3.916)
- Financial assets	(2.322)	(97)
C. CASH FLOW FROM INVESTMENT ACTIVITIES	**2.591.701**	**(3.121.131)**
Financial activity		
capital transactions	(270.150)	-
Dividends paid	(1.198.069)	(1.177.569)
(Increase) decrease in financial receivables and securities		
Increase (decrease) in financial payables		
D. CASH FLOW FROM FINANCING ACTIVITIES	**1.468.219**	**(1.177.569)**
E. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	(1.081.231)	(545.242)
F. CLOSING BALANCE - CASH AND CASH EQUIVALENTS	**5.137.658**	**3.303.320**

2.4 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in shareholders' equity accounts for the year ended as at 31 December 2015, 2016,2017 and 30 June 2018

Changes in shareholders' equity	Share capital	Share premium reserve	Shareholders' capital payments	Legal reserve	Reserve for treasury shares	Dividends	Cost of share capital increase	Retained earnings/ accumulated losses	Profit/loss for the year	Rounding	Total
Balances as at 31 December 2015	**562.287**	**6.885.713**	**100.000**	**111.580**	**-**	**-**	**(431.127)**	**5.611.616**	**7.085.584**	**(0,20)**	**19.925.652**
Allocation of result for 2015				877		1.799.318		5.285.388	(7.085.583)		-
Dividends						(1.799.318)					**(1.799.318)**
Treasury shares					(180.270)						**(180.270)**
Net profit/(loss) for the year									2.802.788		**2.802.788**
Balances as at 31 December 2016	**562.287**	**6.885.713**	**100.000**	**112.457**	**(180.270)**	**-**	**(431.127)**	**10.897.004**	**2.802.789**	**(0,20)**	**20.748.852**
Allocation of result for 2016						1.189.799		1.612.988	(2.802.789)		**(1)**
Dividends						(1.189.799)					**(1.189.799)**
Treasury shares					(18.765)						**(18.765)**
Net profit/(loss) for the year									1.479.379		**1.479.379**
Balances as at 31 December 2017	**562.287**	**6.885.713**	**100.000**	**112.457**	**(199.035)**	**-**	**(431.127)**	**12.509.992**	**1.479.379**	**(0,20)**	**21.019.666**
Allocation of result for 2017						1.199.502		279.877	(1.479.379)		-
Dividends						(1.199.502)					**(1.199.502)**
Treasury shares					(270.150)						**(270.150)**
Net profit/(loss) for the year									3.022.470		**3.022.470**
Balances as at 30 June 2018	**562.287**	**6.885.713**	**100.000**	**112.457**	**(469.185)**	**-**	**(431.127)**	**12.789.869**	**3.022.470**	**(0,20)**	**22.572.485**

2.5 EXPLANATORY NOTES

1 Introduction

Notorious Pictures S.p.A. was established on 4 July 2012. Active as an independent distributor of Cinematographic Rights and producer of films, it has been active in the market since January 2013.

The Company oversees the entire chain of the utilisation of rights for Italy.

As at 30 June 2018, the Company's library comprised 790 titles, under temporary concession, plus 7 produced and co-produced films owned by the company.

This report is expressed in Euro as the reference functional currency in which most transactions are carried out.

2 Accounting standards and measurement criteria

Format and content

The Half-Yearly Financial Report includes the condensed half-yearly financial statements, drawn up in accordance with the provisions of IAS 34, and therefore does not include all the additional information required for the annual financial statements and should be read together with the financial statements as at 31 December 2017, drawn up in accordance with the IAS/IFRS (hereinafter also referred to as the "restated financial statements").

This report has been prepared in compliance with IAS/IFRS international accounting standards, pursuant to art. 18, paragraph 1 of the AIM Issuers' Regulations and pursuant to paragraph 2 of the same article, as the Company has included the Information Document prepared for listing purposes according to the same principles.

Financial statement schedules

The financial statement schedules are prepared as follows:

• current and non-current assets and current and non-current liabilities are shown separately in the statement of financial position;

• in the income statement, costs are analysed based on their type, as the company has deemed this more representative than the presentation of costs by function;

• the statement of comprehensive income shows revenue and cost items that are not recognised in profit/(loss) for the year, as required or permitted by other IAS/IFRS accounting standards;

• the cash flow statement was prepared using the indirect method.

As previously stated, the values shown in the financial statements and explanatory notes are expressed in units of Euro, unless otherwise indicated. It should also be noted that, in order to make the data more easily understood and provide a basis for comparison, some specific figures from the previous year, shown in the schedules above as a comparison, were reclassified.

Preparation criteria for the restated financial statements

The condensed half-yearly financial statements of Notorius Pictures S.p.A. were prepared on a going concern basis, adopting the same accounting standards used to prepare the restated financial statements for the year ended 31 December 2017, with the exception of those that entered into force on 1 January 2018, represented hereunder:

- IFRS 15 - Revenue from Contracts with Customers (published on 28 May 2014 and supplemented with further clarifications published on 12 April 2016), which is intended to replace IAS 18 - Revenue, IAS 11 - Construction Contracts, as well as IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenue-Barter Transactions Involving Advertising Services.

The standard sets out a new model for revenue recognition, which will apply to all contracts stipulated with customers, with the exception of those that fall within the application scope of other IAS/IFRS standards such as leases, insurance contracts, and financial instruments.

The fundamental steps for revenue accounting according to the new model are:

- identification of the contract with the customer;
- identification of the performance obligations of the contract;
- determination of the price;
- allocation of the price to the contract's performance obligations;
- criteria for recognising revenue when the entity satisfies each performance obligation.

At the phase of first-time adoption of IFRS 15, the complete retrospective method was adopted, without identifying the effects that involved the re-statement of the values of the comparative financial statements.

- Final version of IFRS 9 - Financial Instruments (published on 24 July 2014). The document incorporates the results of the IASB project designed to replace IAS 39:

    - introduces new criteria for classifying and measuring financial assets and liabilities;
    - for the impairment model, the new standard requires that losses on receivables are estimated based on the expected losses model (and not on the incurred losses model used by IAS 39), using information that can be supported, available without unreasonable costs or effort, which includes historic, current and future data;
    - introduces a new hedge accounting model (more types of transactions eligible for hedge accounting, change in the accounting method for forward contracts and options when included in a hedge accounting relationship, and changes to the effectiveness test).

The greater flexibility of the new accounting rules is offset by additional requests for information on the company's risk management activities.
At the phase of first-time application of IFRS 9, the modified retrospective method was adopted. Consequently, no changes were made to the comparative financial statements and the associated

impacts were booked to opening shareholders' equity.

In relation to the main changes introduced by IFRS 9, the following impacts are reported:

Write-down of receivables.

Pursuant to IFRS 9, the Expected Credit Loss model was adopted.

In particular, as regards trade receivables, the application of this method required the specific write-down of receivables that present collection problems, and a generic write-down for all other receivables, including those not past due. This approach essentially corresponds to the approach also adopted in previous years and, therefore, did not entail the recognition of additional write-downs.

Accounting standards, amendments and interpretations still not endorsed by the European Union:

At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process for the adoption of the following amendments and standards:

- On 18 May 2017, the IASB published **IFRS 17 - Insurance Contracts** which will replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations from insurance contracts it issues. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting practices, by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer hold. The principle is applicable from 1 January 2021 but early application is permitted, only for companies that have already applied IFRS 9 - Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.
- On 7 June 2017, the IASB published the interpretation document **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document addresses the issue of uncertainties over the tax treatment to adopt regarding income taxes. The document provides that uncertainties in the determination of tax liabilities or tax assets are only reflected in the financial statements when it is likely that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligation but underlines that the entity must establish whether it is necessary to provide information on the considerations reached by management and relating to the uncertainty regarding accounting for taxes, in accordance

with the provisions of IAS 1. The new interpretation is applicable from 1 January 2019, though early application is allowed.

- Document **"Annual Improvements to IFRSs 2015-2017 Cycle"**, published on 12 December 2017 (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation) which acknowledges the amendments to some standards as part of their annual improvement process. The amendments are applicable from 1 January 2019, though early application is allowed.
- Amendment to IAS 19 "**Plant Amendment, Curtailment or Settlement"** (published on 7 February 2018). The document clarifies how an entity must recognise a change (i.e. a curtailment or a settlement) to a defined-benefit plan. The amendments require entities to update their assumptions and remeasure the net plan liability or asset. The amendments clarify that, after the verification of said event, an entity must use updated assumptions to measure the current service cost and the interest for the rest of the reference period after the event. The amendments are applicable from 1 January 2019, but early application is allowed.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS, APPROVED BY THE EUROPEAN UNION, NOT YET REQUIRED TO BE APPLIED AND NOT ADOPTED IN ADVANCE BY THE COMPANY

- **IFRS 16 - Leases** (published on 13 January 2016), intended to replace IAS 17 - Leases, as well as IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC 15 - Operating Leases: Incentives, and SIC 27 - Evaluating the Substance of Transactions in the Legal Form of a Lease.

  The new standard provides a new definition of a lease and introduces a criterion based on the control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying as determining factors: identification of the asset, right to replace the asset, right to obtain substantially all economic benefits deriving from the use of the asset, and right to direct the use of the asset underlying the contract.

The standard establishes a unique model for recognition and measurement of lease contracts for the lessee, which envisages that leased assets, including those under operating leases, are recognised in assets with a contra-entry in financial payables, also providing the possibility of not recognising as lease contracts those involving low-value assets (i.e. leases for assets with a value of less than EUR 5,000) and leases with a contract term of 12 months or less. In contrast, the standard does not include significant changes for lessors. The standard is applicable from 1 January 2019, though early application is allowed.

Measurement criteria

Intangible rights and other non-current intangible assets

Intangible assets are recognised at cost of acquisition or production, including ancillary charges, according to the criteria indicated for tangible assets. For co-productions that envisage, in addition to any cash outflows, the simultaneous transfer to the co-producer of a portion of the rights, the cost is defined based on the criteria described in the following paragraph, that is, recognising the cost excluding invoices to be issued. For films produced directly by the Company, for which the Company has an unlimited right of ownership and exploitation over time, any tax credit accrued in accordance with current legislation is recorded as a direct reduction in the value of the related asset (see the paragraph below entitled “Public grants”).

In the case of acquired intangible assets for which the availability for use and related payments are deferred beyond normal terms, the purchase value and related payable are discounted by recognising the implicit financial charges in the original price.

Film rights, which constitute the company’s “library”, are amortised, in accordance with the standards adopted by industry operators, according to the “individual-film-forecast-computation method”, based on the percentage ratio of revenues earned at the reporting date, calculated on the date the financial statements are prepared for each title in the “library”, based on sales plans drawn up by the directors, considering an overall period of 10 years from the film’s “release” and total expected revenues. The amortisation period begins when the film is completed and can be commercially utilised.

Development costs may be capitalised provided that the cost can be reliably determined and it can be demonstrated that the asset is able to produce economic benefits.

Costs incurred to acquire intangible assets in currencies other than Euro are converted at the exchange rate on the transaction date.

The recoverability of their value is reviewed according to the criteria established by IAS 36, described below.

Tangible assets

Tangible assets are recognised at acquisition cost and adjusted by the corresponding accumulated depreciation.

The book value considers ancillary charges and costs incurred for the use of the asset and significant commercial discounts and cash discounts are treated as a reduction to cost.

Depreciation expense, charged to the income statement, was calculated according to the economic-technical duration of the assets, based on the criterion of residual possibility of use, a criterion that is considered to be represented by the following rates, which have not changed from the prior year and are halved for the year the asset becomes operational:

- Plant and machinery: 15%
- Office machinery and furniture 20%
- Automobiles 25%

If an asset is impaired, it is appropriately written down, regardless of depreciation already recognised. If the assumptions for the write-down no longer apply in subsequent years, the original value may be recovered, adjusted only for depreciation.

Impairment of assets

IAS/IFRS standards require that tangible and intangible assets are assessed to determine the existence of impairment losses in the presence of indicators that suggest that this problem may exist. In the case of goodwill, intangible assets with an indefinite useful life, or assets not available for use, this assessment is performed at least annually.

The book value recorded in financial statements is compared with the greater of the net sale price (if there is an active market) and the value in use of the asset in order to verify if the recognised values can be recovered.

The value in use is defined by discounting expected cash flows from the use of the asset (or from an aggregation of assets - known as cash-generating units) and from its disposal at the end of its useful life. Cash-generating units have been identified, in line with the company's organisational and business structure, as homogeneous aggregations that generate independent cash flows deriving from the continuous use of the assets attributable to them.

Inventories

Inventories are valued at the lower of the production cost, including ancillary costs, and the presumed realisable value based on market prices. The production cost is obtained by averaging, without weighting, the relative costs of all products.

Receivables

Receivables are recognised according to their presumed realisation value.

Trade receivables are recognised at their nominal value, reduced by an appropriate write-down to reflect estimated losses on receivables. Appropriate write-downs to estimate non-recoverable amounts are recorded in the income statement when there is objective evidence that the receivables have lost value. Write-downs are determined as the difference between the book value of receivables and the present value of estimated future cash flows, discounted at the effective interest rate calculated at initial recognition and for which an allocation is made only if there are expected losses.

Cash and cash equivalents

The item relating to cash and cash equivalents includes cash, bank current accounts, demand deposits, and other highly liquid short-term financial investments, which are readily converted into cash and subject to an insignificant risk of changes in value.

Trade payables

Trade payables are recognised at their nominal value net of trade discounts and invoice adjustments.

Provisions

Provisions are recorded in financial statements when the company has a current obligation as a result of a past event and it is probable that it will be required to fulfil the obligation. Provisions are allocated based on directors' best estimates of the funds required to fulfil the obligation at the reporting date, and are discounted when the effect is significant.

Employee severance indemnity

The amounts recorded in financial statements are calculated according to Italian labour law, which, however, does not at present differ significantly from the results generated from the actuarial method provided for in IAS 19.

Dividends

Dividends are recognised in the accounting period in which distribution is approved.

Revenue recognition

Revenues from sales and services are recognised when the risks and benefits deriving from ownership or performance are effectively transferred. In the case of film rights, the risk and benefits are considered transferred with the delivery of the media, given the contractual provisions.

Revenues are shown net of returns, discounts, rebates, and premiums, as well as directly related taxes.

The revenues deriving from DVD BRD sales contracts are recorded based on the physical delivery of the media and net of discounts and returns granted at the reporting date and taking into account the communication of the sale received by the distributor RAI Cinema. Revenues are decreased for future returns on sales made during the year. With regard to PPV sales, revenues were recognised by taking into account the reporting from television broadcaster SKY.

Public grants

With specific reference to the film sector, the company currently takes advantage of two types of public grants, specifically:

- incentives in the form of a tax subsidy deriving from tax credits granted to film production companies in connection with creating works of film as per Italian Law 244/2007 (amended by Italian Law 220/2016, effective 1 January 2017), as regulated by the Producers Tax Credit Decree, containing the application methods. In particular, this legislation is designed to incentivise Italian film production by recognising a tax credit corresponding to a certain percentage of the total cost of the film;
- distribution grants recognised by European Community institutions ("2014-2020 Creative Europe" programme set up by the European Commission in order to, inter alia, promote the transnational distribution of films within the EU), based on the market performance of distributed works that meet the programme's eligibility requirements.

These types of public incentives (including the market value of non-monetary grants) cannot be recognised in financial statements until it is reasonably certain that:

- the business has met the conditions for their assignment;
- the grants were recognised, in the sense that the related resolutions were taken.

Grants are recognised in financial statements only if the two conditions above are met. In particular, the grants are recognised upon their receipt or, if earlier, upon receipt of written notice, with which the issuing body states that the payment resolution has been formalised and all obligations envisaged for the grant have been absolved.

Revenues from public grants (tax credits) obtained for film productions/co-productions are recorded in the financial statements when there is reasonable certainty that the company will meet all the dependent conditions, and that they will be received. Grants are recognised in the income statement throughout the period in which the related costs are recognised.

As mentioned above, tax credit contributions relating to films in production are deducted from the value of the asset.

Revenues are also recorded, inclusive of royalties or other types of costs, for usage of rights in the event that the risks underlying the sale (in particular counterparty risk, price risk, credit risk) are essentially retained by the company. For this reason, revenues from sales and services are recognised and presented at the gross amount invoiced to end customers, since the cost incurred to pay the principals for distribution is recorded in production costs.

Interest income is recognised by applying the accrual principle, based on the amount financed and the applicable effective interest rate, which represents the rate that discounts estimated future cash receipts over the expected life of the financial asset to the present book value of the financial asset.

Costs recognised for guaranteed amounts

Costs for guaranteed amounts referring to the acquisition of usage rights are capitalised and expensed according to the rules for intangible rights.

Transactions in foreign currencies

In preparing the company’s financial statements, transactions in currencies other than the Euro are initially recorded at the exchange rates on the transaction dates. At the reporting date, monetary assets and liabilities denominated in these foreign currencies are recalculated if they result in significant differences at the exchange rates prevailing on that date. Exchange differences arising from the settlement of monetary items and their restatement at current exchange rates at year-end are recorded in the income statement for the year.

Taxes

Income taxes for the year represent the sum of current and deferred taxes. Current taxes are based on the taxable profit for the year. Taxable income differs from the profit reported in the income statement because it excludes positive and negative components that will be taxable or deductible in other years and excludes items that will never be taxed or deductible. The liability for current taxes is calculated using the rates in force or substantively in force at the reporting date. Deferred taxes are taxes that are expected to be paid or recovered on temporary differences between the book value of assets and liabilities in financial statements and the corresponding tax value used in calculating taxable income, recognised according to the liability method. Deferred tax liabilities are generally recognised for all temporary taxable differences, while deferred tax assets are recognised to the extent that it is likely that there will be future taxable results that allow the use of temporary deductible differences. These assets and liabilities are not recognised if the temporary differences are generated by goodwill or from the initial recognition (other than business combination transactions) of other assets or liabilities in transactions that have no influence on the accounting result or taxable income. Deferred tax liabilities are recognised for taxable temporary differences relating to the different timing between the national accounting standards that form the basis for payment of current taxes and the IAS/IFRS international accounting standards according to which these financial statements are prepared, as applicable to the revenues and costs in the financial statements, and therefore in the tax declaration. The book value of the deferred tax assets is reviewed at each balance sheet date and reduced when it is no longer probable that sufficient taxable income will exist to allow recovery of all or part of these assets. Deferred taxes are calculated based on the tax rate that is expected to be in effect at the time the asset is realised or the liability is settled. Deferred taxes are charged directly to the income statement, with the exception of those relating to items recognised directly in shareholders' equity, in which case the related deferred taxes are also recognised in shareholders' equity. Income taxes for the year were recorded considering the weighted annual average tax rate expected for the entire year. Specifically, as regards these restated financial statements, as they are not representative of a relevant period for tax purposes, the temporary differences in taxable income are not taken into account in the calculation, rather only the permanent differences.

Principal measurement decisions in applying accounting standards

The preparation of the restated financial statements and related explanatory notes required estimates and assumptions to be made based on subjective assessments, historic experience, and available information; the final data may differ, possibly significantly, from these estimates following potential changes in factors considered in developing the estimates themselves.

The estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.

The principal decisions adopted in applying accounting standards are as follows:

- ✓ Estimate of the library's future sales plans for the purpose of calculating amortisation according to the "individual-film-forecast computation method", considering the absence of historical data for the company.
- ✓ Estimate of distribution returns for home video products.
- ✓ Estimate of collectability of receivables.

Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period by the number of shares net of treasury shares held by the Company.

3 Segment information

The company is not organised into separate business sectors for management purposes. Instead, the company manages and constantly monitors each revenue line, characterised by the media channel's usage rights, but given the synergy between the various usage methods and the correlation of commercial results, it has not set up separate income statements for the various business lines and internal transfer prices within the overall business activities considered.

4	***Non-current assets: intangible***	**30/06/2018**	**31/12/2017**	**Change**
		11,758,825	***13,706,375***	***(1,947,550)***

This item decreased by around EUR 1,948 thousand.

Intangible assets	Distribution and production rights	Dubbing rights	Works in progress and advances	Other intangible rights	Trademarks	R&D	Total
Net book value at 31/12/2017	**7.346.960**	**627.493**	**5.593.618**	**37.310**	**-**	**100.994**	**13.706.376**
Investments at 30/06/18	1.699.928	91.400	2.019.460	8.475	-	-	3.819.263
Trade recivable			(1.230.833)				(1.230.833)
Reclassifications at 30/06/18	2.663.530	81.400	(2.744.930)		-	-	-
Uses of accumulated amortisation at 30/06/18	-	-			-		-
Amortisation at 30/06/18	(4.309.026)	(204.704)	-	(7.111)	-	(15.139)	(4.535.980)
Historical Cost at 30/06/18	25.251.006	2.418.503	3.637.316	76.583	3.000	152.646	31.539.054
Accumulated amortisation at 30/06/18	(17.849.615)	(1.822.914)	-	(37.909)	(3.000)	(66.791)	(19.780.229)
Net book value at 30/06/18	**7.401.392**	**595.589**	**3.637.316**	**38.674**	**-**	**85.855**	**11.758.826**

The “Film distribution and production rights” and related “dubbing rights” refer to the films in concession or which were produced/co-produced and are part of the “library".

Work in progress and advances refer to Guaranteed Amounts already paid to licensors for films to be distributed during the second half of 2018 and future years.

Total reclassifications of investments made in previous years amounts to EUR 2,744 thousand; these reclassifications to other items of the class refer to films that were being produced at the close of the previous year, or that were distributed during the first half.

In this regard, it should be noted, as mentioned above, that the first half of 2018 saw the completion of the co-production of the film “Quanto basta”, started in 2017, and, consequently, the associated amount of EUR 489 thousand, was reclassified from the item “Works in progress and advances” to “Distribution rights”, while an amount of EUR 1,230 thousand relating to the associate co-producer was reclassified to the item “Trade receivables”, pursuant to the agreements stipulated between the parties. The entire amount is expected to be collected by the first half of 2019.

Investments were made in the half to acquire films for EUR 2,580 thousand, of which approximately EUR 789 thousand as advances on films that will be released in the second half of 2018 and 2019, and EUR 1,791 thousand for films that were released in the first half of 2018. At the close of the half, the item “Works in progress and advances” refers, for an amount of EUR 3,040 thousand, to investments in guaranteed amounts of films and, for EUR 597 thousand, to investments in films being produced.

Film rights, which constitute the company’s “library”, are amortised according to the “individual-film-forecast-computation method”, based on the percentage of revenues earned at the reporting date, calculated on the date the financial statements are prepared for each title in the “library”, using sales plans drawn up by directors and considering a total period of 10 years from the film’s “release” and total expected revenues. The amortisation period begins when the film is completed and can be commercially utilised.

All costs recognised are reasonably correlated with a utility extended over several years and are systematically amortised according to the criteria set out in paragraph 2 above.

Other intangible assets mainly refer to investments in standardised software.

5	***Non-current assets: tangible***	**30/06/2018**	**31/12/2017**	**Change**
		69,472	***82,137***	***(12,665)***

The item decreased by roughly EUR 12.7 thousand during the period.

Tangible assets	Plant and machinery	Other tangible assets	Total
Net book value at 31/12/2017	**6,894**	**75,244**	**82,137**
Investments at 30/06/2018	950.50	-	951
Disposals at 30/06/2018	-		-
Uses of accumulated depreciation at 30/06/2018	-		-
Depreciation at 30/06/2018	(1,961)	(11,654)	(13,615)
Historical Cost at 30/06/2018	26,833	153,327	180,160
Accumulated depreciation at 30/06/2018	(20,950)	(89,738)	(110,687)
Net book value at 30/06/2018	**5,883**	**63,589**	**69,472**

There are no restrictions on the title and ownership of tangible assets.

No technology equipment was acquired through leasing contracts.

6	***Non-current assets: financial***	**30/06/2018**	**31/12/2017**	**Change**
		14,588	***12,265***	***2,322***

The item increased by EUR 2.3 thousand due to a new security deposit.

7 ***Assets and liabilities for current, prepaid and deferred taxes***

7	***Tax credits***	**30/06/2018**	**31/12/2017**	**Change**
		2,395,003	***405,199***	***1,989,804***

The breakdown of the item is shown below:

Tax credits	**30/06/2018**	**31/12/2017**	**Change**
VAT tax	903,372	36,741	866,630
Current IRES tax	-	47,648	(47,648)
INAIL advances	5,898	3,761	2,137
Tax credits from special laws	1,485,704	316,978	1,168,727
Withholdings on interest income	29	71	(42)
Total	**2,395,003**	**405,199**	**1,989,804**

The increase compared to 31 December 2017 refers to the increased VAT credit due to executive productions and tax credits on executive production, on the distribution tax credit and tax credit on research and development, accrued but not yet used as at 30 June 2018.

7	*Deferred tax assets*	30/06/2018	31/12/2017	Change
		38,968	***38,968***	***-***

With regard to non-current deferred tax assets, this item is mainly attributable to IRES due to the existence of cost items that are recognised for tax purposes in subsequent financial years compared to those in which the accrual and matching principle would imply their recognition in the income statement.

7	*Deferred tax liabilities*	30/06/2018	31/12/2017	Change
		4,998,316	***4,832,448***	***165,868***

As discussed in the introductory paragraph, the company fulfils tax obligations based on statutory financial statements prepared according to Italian accounting standards. The amount recognised in financial statements also includes the adjustment of the IRES rate to 24%, introduced by the 2016 Stability Law (Italian Law 208 of 28 December 2015) effective 1 January 2017.

7	*Income tax payables*	30/06/2018	31/12/2017	Change
		309,550	***136,007***	***173,543***

The analysis of current taxes is presented in the table below:

Tax payables	30/06/2018	31/12/2017	Change
Withholding taxes on income of third parties	82,873	73,308	9,565
Current IRES tax	122,412	-	122,412
Current IRAP tax	104,265	62,699	41,566
Total	**309,550**	**136,007**	**173,543**

8	*Inventories*	30/06/2018	31/12/2017	Change
		203,375	***181,729***	***21,646***

This item represents HV products (Blu-ray and DVD) held by the distributor RAI Cinema S.p.A. on a sale-or-return basis, but not yet sold by the company's sole distributor.

Management of the physical warehouse does not represent a strategic initiative for the company. Products are measured at the average cost incurred for production, including the SIAE stamp.

9	*Trade receivables*	30/06/2018	31/12/2017	Change
		17,779,928	***12,409,747***	***5,370,182***

The breakdown of the item is shown below:

Trade receivables	30/06/2018	31/12/2017	Change
Amounts due from customers	17,944,288	12,574,106	5,370,182
Bad debt provision	(164,359)	(164,359)	-
Total trade receivables	**17,779,928**	**12,409,747**	**5,370,182**

The increase registered in the first half of 2018 is essentially due to the higher revenues accrued in the reference period.

The nominal value of receivables was adjusted to their presumed realisable value through a specific bad debt provision amounting to EUR 164,359. The company maintains that credit risk exists almost exclusively with regard to customers that have a small account balance; at the date of the end of the half, there were no particularly critical situations with reference to the recoverability of existing trade receivables.

10	*Other current assets*	30/06/2018	31/12/2017	Change
		197,435	*347,676*	*(150,241)*

Other current assets	30/06/2018	31/12/2017	Change
Prepaid expenses	196,017	346,902	(150,886)
Advances to suppliers	1,351	12	1,339.00
Advances to employees	67	761	(695)
Total	**197,435**	**347,676**	**(150,242)**

Prepaid expenses relate to charges that are deferred in relation to the date of cash disbursement or documentary support but that refer to the current year; they are independent from the payment or collection date of the relative income and expenses, common to two or more financial years and divisible over time.

They are mainly attributable to costs incurred for films that will be paid in the second half of 2018.

As at 30 June 2018, there were no activities of this type with a duration of more than five years.

11	*Cash and cash equivalents*	30/06/2018	31/12/2017	Change
		5,137,658	*6,218,889*	*(1,081,231)*

Cash and cash equivalents	**30/06/2018**	**31/12/2017**	**Change**
Bank current account balances	5,136,544	6,218,088	(1,081,544)
Cash on hand	1,114	801	313
Total	**5,137,658**	**6,218,889**	**(1,081,231)**

For more details on changes in cash and cash equivalents, please refer to the Cash Flow Statement.

12	***Employee severance indemnity and provisions***	**30/06/2018**	**31/12/2017**	**Change**
		333,919	***332,111***	***1,808***

In total, this item increased by EUR 1.8 thousand, for which the analysis is as follows:

Employee severance indemnity and provisions	**31/12/2017**	**Allocations**	**Uses**	**30/06/2018**	**Change**
Employee severance indemnity	245,075	48,024	(46,216)	246,883	1,808
Provision for estimated sales returns	87,036	-	-	87,036	-
Total	332,111	48,024	(46,216)	333,919	1,808

The employee severance indemnity represents a liability for benefits owed to employees that are paid upon or subsequent to termination of the employment relationship, which are considered defined benefit plans. As there are few employees, the legislation referred to in Italian Law 296/2006 does not apply to the company.

In consideration of the recent establishment of the company and the small number of employees and years in service with the company, an actuarial method performed by an independent professional was not deemed necessary, as recommended by IAS 19.

Increases in the employee severance indemnity represent the benefits accrued for the year.

The full amount of the provision for sales returns refers to the risk, deemed probable and prudentially estimated in the indicated amount, that in the future there will be returns on sales of audio-visual products (DVDs and BRDs) sold prior to 30 June 2018 and that therefore were included in revenues for the year.

13	***Trade payables***	**30/06/2018**	**31/12/2017**	**Change**
		8,841,174	***6,685,686***	***2,155,488***

Trade payables are broken down as follows:

Trade payables	**30/06/2018**	**31/12/2017**	**Change**
Payables to Italian suppliers	8,149,835	5,982,937	2,166,898
Payables to foreign suppliers	691,340	702,749	(11,410)
Total payables to suppliers	**8,841,174**	**6,685,686**	**2,155,488**

Payables to suppliers are recognised net of trade discounts; cash discounts are recorded upon payment. There was an increase of EUR 2,167 thousand compared to 2017, principally due to different payment trends.

Payables to foreign suppliers, equal to EUR 691 thousand, are contracts with European suppliers (Hungary, Great Britain, Germany, Ireland, and France).

14	***Other current liabilities***	**30/06/2018**	**31/12/2017**	**Change**
		539,808	***397,066***	***142,742***

Other current liabilities	**30/06/2018**	**31/12/2017**	**Change**
Payables to social security institutions	161,988	185,602	(23,615)
Customer advances	9,363	3,028	6,335
Sundry employee payables	288,457	208,436	80,021
Prepaid expenses	80,000	-	80,000
Total other current liabilities	**539,808**	**397,066**	**142,742**

Amounts due to social security institutions and employees mainly refer to accrued vacation, thirteenth and fourteenth month's salary and related contributions not yet paid at 30 June 2018.

Prepaid expenses refer to the pre-sales already incorporated in a contract and billed for films that will be distributed in 2019.

15	***Shareholders' equity***	**30/06/2018**	**31/12/2017**	**Change**
		22,572,485	***21,019,667***	***1,552,818***

Shareholders' equity	30/06/2018	31/12/2017	Change
- Share capital	562,287	562,287	-
- Legal reserve	112,457	112,457	-
- Share premium reserve	6,885,713	6,885,713	-
- Reserve for capital contributions	100,000	100,000	-
- Euro rounding reserve	(0.20)	(0.20)	-
- (Treasury shares in portfolio)	(469,185)	(199,035)	(270,150)
- (Cost of share capital increase)	(431,127)	(431,127)	-
- Retained earnings/(losses)	12,789,870	12,509,994	279,877
- Profit/(loss) for the year	3,022,470	1,479,379	1,543,092
Total	**22,572,485**	**21,019,667**	**1,552,818**

The change in shareholders' equity of EUR 1,553 thousand is due to the recognition of profit for the year, net of 2017 profits carried forward amounting to EUR 280 thousand and dividends distributed during the year for EUR 1,199 thousand, in compliance with the Shareholders' Meeting resolution to approve the statutory financial statements at 31 December 2017, and the increase in the reserve to purchase treasury shares for EUR 270,150, net of the use cited hereunder.

It should be pointed out that, as a result of the resolution of the Board of Directors on 8 January 2018, 10,000 company shares from those held by the latter in the portfolio were assigned to an executive, free of charge and as extraordinary remuneration. As a result of this assignment, the equity reserve was reduced by EUR 13,550.

16 Tax position

Due to the company's recent incorporation, tax periods that may still be subject to assessment are 2013, 2014, 2015, 2016 and 2017, both for direct taxes and VAT.

The company has no disputes with the tax authorities nor are there any tax audits underway.

The company has not yet taken advantage of exemptions, but has benefited from Italian and European Community grants to support the film industry. In particular, in the first half of 2018, the company benefited from the tax credit on executive production for foreign films shot in Italy and the distribution tax credit for the Italian films distributed in Italy.

17 Contingent liabilities

The Board of Directors believes that there are no significant contingent liabilities that should be recorded or discussed in this Half-Yearly Financial Report as at 30 June 2018.

18 Commitments

Commitments undertaken by the company that are not reflected in payables or provisions for risks and charges refer mainly to commitments that do not have any impact on financial statement liabilities, as they have not resulted in any economic flow.

In particular, they refer to:

- Contractual commitments to licensees totalling approximately EUR 9,878 thousand for films released after the end of the half.
- Commitments for future lease instalments for the offices in Rome, expiring on 31 August 2018, for EUR 7.5 thousand. It should be noted that the Rome lease agreement was renewed on expiry for a further 6 years under the previous contractual terms.
- Commitments for lease instalments for the offices in Milan, expiring on 30 April 2021, of approximately EUR 199 thousand.

19	***Revenues from sales and services and other revenues and income***	**1st half 2018**	**1st half 2017**	**Change**
		21,321,934	***9,143,329***	***12,178,605***

The analysis of revenues for sales and services is provided below:

Revenues from sales and services and other revenues and income	**1st half 2018**	**% of total revenues**	**1st half 2017**	**% of total revenues**	**Change**	**% Change**
Theatrical revenues	3.983.048	18,7%	1.450.576	15,9%	2.532.472	174,58%
Home video revenues	193.962	0,9%	26.423	0,3%	167.539	634,07%
Kiosk revenues	37.969	0,2%	9.841	0,1%	28.128	285,83%
Inrenational revenues	31.796	0,1%	0	0,0%	31.796	
Pay TV revenues	3.530.000	16,6%	2.680.000	29,3%	850.000	31,72%
Free TV revenues	3.665.000	17,2%	2.730.000	29,9%	935.000	34,25%
Pay-Per-View revenues	239.850	1,1%	70.500	0,8%	169.350	240,21%
New Media revenues	509.279	2,4%	1.094.176	12,0%	(584.897)	-53,46%
Services rendered for executive production	6.912.672	32,4%	330.000	3,6%	6.582.672	1994,75%
	19.103.576	**89,60%**	**8.391.515**	**91,8%**	**10.712.061**	**127,65%**
Change in product inventories	21.646	0,1%	34.054	0,4%	(12.408)	-36,44%
Other revenues and income	2.196.713	10,3%	717.761	7,9%	1.478.952	206,05%
Total	**21.321.934**		**9.143.329**		**12.178.605**	**133,20%**

The breakdown by geographic area is not significant since revenues are evenly distributed throughout Italy.

Revenues for the first half of 2018 amounted to EUR 21,322 thousand (EUR 9,143 thousand in the first half of 2017), marking an increase of around 133%. With respect to the first half of 2017, the best performances were recorded by theatrical revenues, which rose from EUR 1,450 thousand in the first half of 2017 to EUR 3,983 thousand in the first half of 2018, Free TV revenues, which went from EUR 2,730 thousand in the first half of 2017 to EUR 3,665 thousand in the first half of 2018 and Pay TV revenues, which rose from EUR 2,680 thousand in the first half of 2017 to EUR 3,530 thousand in the first half of 2018. It should be noted that the first half of 2018 benefitted from revenues from executive production, totalling EUR 8,686 thousand, of which EUR 1,774 thousand from the relative tax credit, compared to EUR 416 thousand in the first half of 2017.

Other revenues, amounting to EUR 2,197 thousand, refer primarily to the tax credit on executive production, distribution, film commission contributions and income from promotional activities and merchandise exchanges.

20	***Operating costs***	**1st half 2018**	**1st half 2017**	**Change**
	Costs for raw materials, consumables, and goods	***120,858***	***124,026***	***(3,168)***
	Costs for services	***12,167,123***	***4,594,658***	***7,572,465***
		12,287,981	***4,718,684***	***7,569,297***

The analysis of operating costs by type is provided in the table below:

Operating costs	**1st half 2018**	**% of total costs**	**1st half 2017**	**% of total costs**	**Change**	**% Change**
Purchase costs of various materials	70,728	0.58%	66,640	1.4%	4,088	6.13%
HV production and packaging cost	50,130	0.41%	57,386	1.2%	(7,256)	-12.64%
Costs for raw materials, consumables, and goods	**120,858**	0.98%	**124,026**	2.6%	**(3,168)**	
Executive production costs	7,154,591	58.22%	340,602	7.2%	6,813,989	2000.57%
Compensation for directors, statutory auditors, and independent auditors	162,134	1.32%	164,147	3.5%	(2,013)	-1.23%
Consulting and collaborations	209,582	1.71%	149,104	3.2%	60,478	40.56%
Costs for sundry services	61,385	0.50%	109,241	2.3%	(47,856)	-43.81%
Costs for use of third-party assets	82,170	0.67%	73,011	1.5%	9,159	12.54%

Broker commissions	105,342	0.86%	42,604	0.9%	62,739	147.26%
P&A and marketing costs	4,391,919	35.74%	3,715,950	78.7%	675,969	18.19%
Costs for services	**12,167,123**	99.02%	**4,594,658**	97.4%	**7,572,465**	
Total	**12,287,981**	100.0%	**4,718,684**	100.0%	**7,569,297**	

The increase in costs for services is mainly attributable to the growth in executive production work, as already discussed previously. Costs of consulting and collaborations rose by around 40% compared to the first half of 2017, amounting to EUR 209 thousand, mainly related to consulting concerning advisory activities for the Stock Market.

Costs for the use of third-party assets increased by approximately 12.5% to EUR 82 thousand. Broker commissions totalled EUR 105 thousand, up compared to the previous year, mainly due to the higher theatrical revenues to which they are correlated.

P&A and marketing costs of EUR 4,392 thousand were up by approximately 18% compared to the first half of the previous year, due primarily to higher expenses for film launches during the period.

The breakdown by geographic area is not significant as the majority of costs are incurred in Italy and distributed evenly across the country.

21	***Personnel costs***	**1st half 2018**	**1st half 2017**	**Change**
		1,027,618	***523,473***	***504,145***

The applicable collective labour agreement is that of the entertainment, film, production and dubbing sector. Employees work at the registered office in Rome and the Milan office.

The analysis of the costs is provided in the table below:

Personnel costs	**1st half 2018**	**1st half 2017**	**Change**	**% Change**
Salaries and wages	676,270	236,841	439,429	185.54%
Social security costs	266,906	220,430	46,476	21.08%
Employee severance indemnity	49,394	47,898	1,497	3.12%
Other costs	35,048	18,305	16,744	91.47%
Total	**1,027,618**	**523,473**	**504,145**	

The increase in personnel costs is due to the capitalisation, in 2017, of the part directly attributable to the work in question of the costs of internal personnel working on the production of the film “La verità vi spiego sull’amore” (I’ll tell you the truth about love).

The changes in company staff, broken down by category, are shown below compared to the previous half year.

Headcount	1st half 2018	1st half 2017	change	average
Executives	*5*	*4*	*1*	*5*
Office staff	*21*	*19*	*2*	*20*
Total headcount	*26*	*23*	*3*	*25*

22	***Depreciation, amortisation, and provisions***	**1st half 2018**	**1st half 2017**	**Change**
		4,549,595	***2,199,161***	***2,350,434***

The difference of EUR 2,350 thousand reflects operating activities. Depreciation and amortisation mainly refer to the films under concession and/or which were produced or co-produced as detailed below.

Depreciation and amortisation	**1st half 2018**	**1st half 2017**	**Change**	**% Change**
Amortisation of distribution rights	4,309,026	1,973,877	2,335,149	118.30%
Amortisation of dubbing rights	204,704	192,646	12,058	6.26%
Amortisation of various intangible assets	22,250	18,839	3,411	18.11%
Total amortisation of intangible assets	**4,535,980**	**2,185,362**	**2,350,618**	107.56%
Depreciation of machinery and plants	1,961	1,925	35	1.84%
Depreciation of various tangible assets	11,654	11,874	(219)	-1.85%
Total depreciation of tangible assets	**13,615**	**13,799**	**(184)**	-1.33%
Allocation to provision for sales returns	-	-	-	
Total	**4,549,595**	**2,199,161**	**2,350,434**	106.88%

The higher amortisation/depreciation in the period is linked to the growth in turnover in the half and an update to the multi-year revenue plans of the entire library.

23	***Sundry charges and income***	**1st half 2018**	**1st half 2017**	**Change**
		49,868	***106,592***	***(56,724)***

The main components of other operating costs are taxes, other than on income and various government concessions, as well as penalties and losses not covered by a specific provision.

24	*Financial income and expenses*	1st half 2018	1st half 2017	Change
		10,233	***47,890***	***(37,657)***

The principal component of financial expenses for the first half of 2018 refers mainly to the net position between foreign exchange gains and losses and interest income accrued on bank accounts.

25	*Income taxes*	1st half 2018	1st half 2017	Change
		374,170	***386,128***	***(11,958)***

The change is primarily generated by the fact that the income from the tax credit is not taxable, as previously discussed.

Taxes	1st half 2018	1st half 2017	Change
Current IRES tax	307,208	328,824	(21,616)
Current IRAP tax	66,962	57,303	9,658
Current taxes	**374,170**	**386,128**	**(11,958)**

IRES tax reconciliation	**Taxable income**	**%**	**Taxes**
Pre-tax profit/(loss) and theoretical tax charge	3,396,640		
Theoretical tax charge at 24%		24.00%	815,194
Permanent differences that will not be reversed in subsequent years			
plus			
- entertainment expenses	6,451	24.00%	1,548
- sundry expenses for automobiles	31,708	24.00%	7,610
- sundry expenses for communication and employees	3,988	24.00%	957
- contingent liabilities	45,860	24.00%	11,006
less			
- sundry tax credits	(2,060,763)	24.00%	(494,583)
- export tax recovery	(143,850)	24.00%	(34,524)
Total permanent differences	(2,116,607)	24.00%	(507,986)
			-

TOTAL IRES	**307,208**

26 Dividends

Simultaneous with the approval of the 2015-2017 three-year plan, the Board resolved to adopt a long-term dividend distribution policy - starting from dividends related to 2015 - that would be at least equal to 25% of net profit calculated according to IAS/IFRS standards, although with certain limitations. On 27 April 2018, the Shareholders' Meeting resolved to distribute profit equivalent to EUR 0.0543 per share. The total value distributed was equal to EUR 1,198,069.00.

27 Earnings per share

Basic earnings per share attributable to holders of the company's ordinary shares at the close of the period are equivalent to EUR 0.14, net of treasury shares.

28 Financial risk management: objectives and criteria

The company's financial instruments consist solely of demand deposits.

The company's primary financial risks are:

1. credit risk
2. liquidity risk
3. exchange risk
4. interest rate risk

Credit risk

The management of this risk consists above all in selecting customers that are reliable and solvent and in limiting, where possible, exposure to individual customers.

The positions, if individually significant, for which there is a risk that amounts due may not be recovered, in part or in full, are subject to individual write-down.

For receivables that are not subject to individual write-down, a provision is set aside on a collective basis, as more fully explained in the explanatory notes.

At 30 June 2018, trade receivables amounted to EUR 17,780 thousand and the bad debt provision was EUR 164 thousand.

Liquidity risk

Liquidity risk can be generated by the inability to obtain, at favourable conditions, the financial resources necessary for the company's operations. This risk is very low, as the company has a negative net financial position (net cash) of around EUR 5.1 million.

Exchange risk

The company has exposure in relation to foreign currency transactions (US dollars). This exposure is generated by investments.

The currency risk is not yet considered significant and therefore no specific hedging techniques have been adopted at this time.

Interest rate risk

Exposure to interest rate risk is minimal, given that there is no financial exposure.

29 Transactions with related parties

Transactions with related parties	Year ending 30/06/2018		Year ending 30/06/2017	
	Payables	Operating costs	Payables	Operating costs
Guglielmo MARCHETTI (1) (3)	29,064	158,055	25,683	149,855
Ugo GIRARDI (2)	13,635	38,480	10,688	37,440
Stefano DI GIUSEPPE (4)	4,001	20,063	2,984	19,377
Leonardo PAGNI (4)	2,140	6,500	2,736	6,000
Davide ROSSI (4)	2,116	6,500	2,700	6,000
Paolo MUNDULA (5)	9,754	9,754	7,280	7,280
Marco D'AGATA (5)	5,720	5,720	5,720	5,720
Giulio VARELLA (5)	5,720	5,720	5,720	5,720
EXPERION S.r.l. (6)	19,425	17,500	19,425	17,500
Total transactions with related parties	**91,576**	**268,293**	**82,936**	**254,892**

(1) Chairman
(2) Deputy Chairman
(3) Majority shareholder and CEO
(4) Director
(5) Statutory Auditor
(6) Entity owned or controlled by a related party

30 Compensation of corporate bodies, statutory auditors, and independent auditors

The total compensation due to the directors and the control body is presented below.

Compensation to directors and	Resolution	Offices	Employment

statutory auditors				
Guglielmo MARCHETTI	Chairman	79,500		78,555
Ugo GIRARDI	Director	13,000	24,000	
Stefano DI GIUSEPPE	Director	6,500		13,563
Leonardo PAGNI	Director	6,500		
Davide ROSSI	Director	6,500		
Paolo MUNDULA	Statutory Auditor	7,000	1,500	
Marco D'AGATA	Statutory Auditor	5,500		
Giulio VARELLA	Statutory Auditor	5,500		
Total compensation		**130,000**	**25,500**	**92,118**

The consideration pertaining to the year for services provided by independent auditors for the legal accounting audit, including the fees for the voluntary audit of these financial statements restated for the adoption of IAS/IFRS accounting standards, as well as the voluntary audit of the Half-Yearly Financial Report as at 30 June 2018, amounted to EUR 35 thousand.

These fees are net of the obligatory social security charges and were amended by the Shareholders' Meeting resolution of 27 April 2018.

Milan, 17 September 2018

For the Board of Directors

Chairman

Guglielmo Marchetti