



UPDATING OF FORECASTS AND REPORT ON THEIR COMPLIANCE



ZINKIA ENTERTAINMENT, S.A.

Annex Financial Information. Year 2011
Updating of forecasts and report on their compliance

UPDATING OF FORECASTS AND REPORT ON THEIR COMPLIANCE

ESTIMATED LEVEL OF COMPLIANCE YEAR 2011

In this annex to the financial information provided by the company offers a comparative view of the financial statements planned for the financial year 2011 and those submitted in the Consolidated Financial Statements, the same year, analyzing the most significant deviations.

1. PROFIT AND LOSS

| Zinkia | 2010 cons | 2011 cons | % crec | 2011e | % desv |
|-----------------------------------|-----------------------|----------------------|-----------------|----------------------|-----------------|
| (€) | | | | | |
| Total Revenue | 5.987.339,62 | 13.221.725,72 | 121,81% | 13.257.276,53 | -0,27% |
| Sales | 3.993.661,58 | 7.788.789,36 | 96,19% | 7.339.322,70 | 6,12% |
| Other Income | 1.993.678,04 | 5.432.936,36 | 172,51% | 5.917.953,83 | -8,20% |
| Cost of goods sold | 248.954,71 | 2.512.550,15 | 909,24% | 234.000,00 | 973,74% |
| Gross Profit | 5.738.384,91 | 10.709.175,57 | 87,36% | 13.023.276,53 | -17,77% |
| <i>% Gross Profit / Revenue</i> | <i>95,84%</i> | <i>81,00%</i> | | <i>98,23%</i> | |
| Cost of Employees | 3.334.395,19 | 3.724.928,30 | 11,71% | 4.045.508,69 | -7,92% |
| Other Operating Expenses | 2.914.661,12 | 5.300.160,25 | 82,90% | 5.893.623,25 | -10,07% |
| EBITDA | - 510.671,40 | 1.684.087,02 | -420,46% | 3.084.144,59 | -45,40% |
| <i>% EBITDA / Revenue</i> | <i>-8,53%</i> | <i>12,74%</i> | | <i>23,26%</i> | |
| Amortizations and Depreciations | 1.724.994,23 | 1.784.931,69 | 3,47% | 2.122.772,47 | -15,92% |
| EBIT | - 2.235.665,63 | - 100.844,67 | -95,01% | 961.372,12 | -110,49% |
| <i>% EBIT / Revenues</i> | <i>-37,34%</i> | <i>-0,76%</i> | | <i>7,25%</i> | |
| Financial Income | 20.219,00 | 24.811,42 | 22,71% | - | n.a. |
| Financial Expense | 279.694,00 | 794.550,53 | 165,56% | 534.169,62 | 48,74% |
| Financial P/L | - 259.475,00 | - 769.739,11 | 175,49% | - 534.169,62 | 44,10% |
| Extraordinary Income | - | 421.262,00 | | 418.032,01 | 0,77% |
| Extraordinary Expense | 431.801,72 | 5.373,00 | -98,78% | - | n.a. |
| Extraordinary P/L | - 431.801,72 | 415.889,00 | -196,35% | 418.032,01 | -0,51% |
| EBT | - 2.926.942,35 | - 454.694,78 | -83,26% | 845.234,52 | -153,80% |
| <i>% EBT / Revenue</i> | <i>-48,89%</i> | <i>-3,44%</i> | | <i>6,38%</i> | |
| Taxation | 660.562,58 | 477.950,95 | -27,21% | 253.570,36 | 88,49% |
| EAT | - 2.266.379,77 | 23.256,17 | -99,62% | 591.664,16 | -96,07% |
| Minority interest | - | 107.732,75 | n.a. | - | n.a. |
| Attributable to the parent | - 2.266.379,77 | 84.476,58 | n.a. | 591.664,16 | -114,28% |

1.1. INCOME

The year 2011 was marked mainly by the recovery of business management for ZINKIA of all those countries that were previously managed by ITV, being the April 1 the effective date of this fundamental change to begin preparing the international

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expansion of the turnover.

Another important fact happened during the past year is the revenues boom derived from the exploitation of On-Line content and Digital Rights of the properties and trademarks of ZINKIA. It is expected that in coming years, the weight of the revenue from this line of business will continue growing.

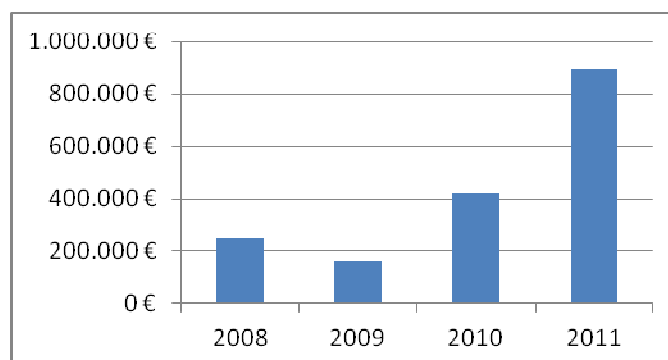
The following table gives the details of the turnover compared to the year 2010 and 2011 budget:

| | 2010 cons | 2011 cons | % | 2011e | % |
|-------------------------------|------------------|-------------------|----------------|-------------------|----------------|
| TOTAL INCOME | 5.987.340 | 13.221.725 | 122,63% | 13.257.277 | -0,27% |
| SALES | 3.993.662 | 7.788.789 | 97,42% | 7.339.323 | 6,12% |
| Pocoyó Income | 3.388.111 | 3.269.553 | -2,10% | 4.830.435 | -32,31% |
| Spain | 1.721.281 | 1.404.157 | -16,07% | 1.495.853 | -6,13% |
| Zinkia Territories | 1.245.411 | 970.653 | -22,06% | 1.722.406 | -43,65% |
| New Zinkia Territories | 421.419 | 894.743 | 112,32% | 1.612.176 | -44,50% |
| Shuriken School | 2.801 | 4.710 | 68,18% | 52.000 | -90,94% |
| Spain | 2.801 | 4.710 | 68,18% | 52.000 | -90,94% |
| Zinkia Territories | | - | | - | n.a. |
| Xilam Territories | | - | | - | n.a. |
| Interactive Income | 372.225 | 1.201.350 | 222,75% | 2.416.888 | -50,29% |
| Videogames | 3.891 | 511.615 | 13049,33% | 1.403.000 | -63,53% |
| On Line & Digital Rights | 368.334 | 689.735 | 87,26% | 1.013.888 | -31,97% |
| Other Income Cake | | 3.260.381 | | | |
| Other Income | 230.525 | 52.795 | -77,10% | 40.000 | 31,99% |
| OTHER OPERATIVE INCOME | 1.993.678 | 5.432.936 | 172,51% | 5.917.954 | -8,20% |

During fiscal 2011, sales revenue increased 97% over the previous year. On the negative side, you can see the decrease in revenue of territories such as Spain and the territories administered directly by ZINKIA (Italy, China, Portugal and LATAM), mainly due to the global economic situation, which affects almost all sectors and makes markets, in which we were operating, a decrease has been accused of the results obtained in the previous year. To remedy this situation, ZINKIA has undertaken a deep change in business strategy in these areas, through measures ranging from the replacement of commercial agents in the different territories, to strengthening the internal sales team, a process that remains open today.

Instead, on the positive side, we can highlight the increase of over 100% in the turnover contributed by the new territories recovered, even when this fact occurred in April 2011 and has had only 9 months to start directly exploit the Pocoyó brand. The following graph shows the behavior of this revenue line in the last 4 years

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Despite not achieving the planned amount for 2011, revenue from the sale of video games and exploitable On Line and Digital Rights, have increased over 200% over previous year figures.

Both geographic diversification which can finally begin to work for the recovery of business management in those territories where it was not carried out any operation in previous years, as the commitment to the business of digital rights is based on the that support the Plan and Business Expansion for the coming years.

By both routes are expected to face the crisis being experienced in recent years, and opening ways of income so broadly diversified both geographically and in the business model, supporting the traditional operating business license with the new and burgeoning world of digital content, leaves us in a position where we can be optimistic about the future evolution of the turnover.

The acquisition of 51% stake in Cake Entertainment Ltd, last June 2011, has supposed an important increase in turnover.

Regarding the planned figures, the contributions of the Group companies and business improvement derived from On Line content, and new territories managed by ZINKIA make to compensate the reduction experienced in other territories, so that the figure group sales has been in line with forecasts for 2011.

The amount recorded in the line of Other Operating Revenues had suffered a deviation of 8% with regard to the planned figure for 2011. This line includes both amounts received by the final settlement of the management contract with ITV, and the incomes from the activation of the costs that the company has incurred for production of audiovisual contents.

1.2. EXPENSES

Due to difficult access to finance, ZINKIA has conducted an exhaustive control of the expenditure items, so that has been able to generate savings in almost all cost items for exercising.

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Under the heading of personnel have produced savings of nearly 8% of expected, mainly due to the temporary suspension of projects to produce, requiring funding sources that are currently difficult to obtain.

Costs for supplies, however, have been increased, as the Group companies have contributed substantially to this line of income statement.

In the section of "Other Operating Expenses" shown in the following chart the evolution compared with estimates for the year 2011.

| Concept | 2011 cons | 2011e |
|-----------------------------------|---------------------|---------------------|
| Leases | 250.007,49 | 240.300,00 |
| Renting | 108.048,51 | 108.000,00 |
| Repairs | 55.891,09 | 125.675,00 |
| Independent professional services | 2.146.571,22 | 2.986.278,25 |
| Insurance | 47.142,98 | 63.000,00 |
| Bank fees | 28.975,31 | 21.000,00 |
| Advertising and public relations | 775.236,52 | 763.700,00 |
| Utilities | 121.978,27 | 121.800,00 |
| Other general expenses | 648.897,86 | 1.463.870,00 |
| Other Taxes | 10.533,59 | - |
| Bad debt | 1.106.877,16 | - |
| Total | 5.300.160,00 | 5.893.623,25 |

It can be seen that variation in trade credit provisions have prevented to achieve savings of around 2 million euros compared to the figure for 2011. These variations are primarily, and almost entirely, for uncollectible amounts declared under final liquidation of the business management contract with ITV, decided last April and at time reported as Relevant Fact.

The deviation existing in section of Financial Income and Expenses, was caused by the application of amortized cost method for the allocation of financial expenses in different periods of life of the debt. This effect was not collected in full in the forecast for 2011, but already covered in the new Business Plan review that occurs at later points in this document.

Finally, we mention the extraordinary result collected in 2011, which corresponds to the reversal of a provision for the project Shuriken School. This reversal was foreseen in the Business Plan for the estimated improvement in the marketing of this property rights.

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2. BALANCE SHEET

As for variations on the Balance planned for the year 2011 we could highlight the higher value of Intangible Assets of the Group and the increase in tax credits included in the epigraph “ Deferred taxation assets “ due to the recognition of important deductions derived from the activity of ZINKIA to complete the third season of Pocoyo in 2011.

Also significant is the increase in the numbers of clients in the short and long term, which reflects the expansion of the collection period that occurs in the negotiation of new contracts and the practice of clients.

| Zinkia | 2010 cons | 2011 cons | 2011e |
|--|--------------------|--------------------|--------------------|
| <i>(en €)</i> | | | |
| Intangible Assets | 8.664.851 | 9.849.888 | 9.090.003 |
| Tangible Assets | 107.695 | 136.497 | 126.362 |
| Financial Assets | 84.770 | 32.270 | 1.194.330 |
| Deferred Taxation Assets | 3.929.006 | 4.589.657 | 3.840.256 |
| Debtors and receivables | 100.037 | 411.644 | 100.037 |
| Non Current Assets | 12.886.359 | 15.019.956 | 14.350.989 |
| Stocks | | | - |
| Debtors and receivables | 3.681.534 | 3.307.700 | 2.630.965 |
| Financial Assets | 560.477 | 651.090 | 179.953 |
| Cash | 409.567 | 489.590 | 1.225.233 |
| Period Adjustements | 44.567 | 31.010 | 44.567 |
| Current Assets | 4.696.145 | 4.479.390 | 4.080.719 |
| Total Assets | 17.582.504 | 19.499.346 | 18.431.708 |
| Issued Capital | 2.445.677 | 2.445.677 | 2.445.677 |
| Share premium | 9.570.913 | 9.570.913 | 9.570.913 |
| Own shares held | - 347.303 | - 950.560 | - 1.027.303 |
| Reserves | 1.145.782 | 1.126.380 | 1.175.649 |
| Retained Earnings | - 1.091.225 | - 3.357.604 | - 3.389.612 |
| Profits and losses | - 2.266.379 | - 84.476 | 591.664 |
| Other adjusts | - | - | - 33.784 |
| Grants | - | - | 79.748 |
| Translation differences | - 477 | - 1.255 | |
| Profit attributable to minority interest | - | 107.733 | |
| Minority interest | - | 121.863 | |
| Shareholders Equity | 9.456.988 | 8.978.670 | 9.412.951 |
| Deferred income | 79.748 | 105.542 | |
| Long Term Debt | 3.672.294 | 4.867.597 | 4.748.574 |
| Deferred taxation liabilities | 39.675 | 51.200 | 39.675 |
| Long Term Liabilities | 3.791.718 | 5.024.338 | 4.788.249 |
| Short Term Debt | 2.459.121 | 2.320.310 | 2.230.262 |
| Creditors | 1.874.677 | 3.176.028 | 2.000.246 |
| Current Liabilities | 4.333.798 | 5.496.338 | 4.230.507 |
| Total Shareholders Equity and Liabilities | 17.582.504 | 19.499.346 | 18.431.708 |

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The amount of equity has behaved as expected, with the exception of the result, which causes deviation experienced against budget.

Also remarkable the increase of the figure for Trade Payables, more than expected due to lack of funding and the increase in collection period from our clients, facts that also make increase the period of payment to suppliers.

This situation causes a negative Working Capital, and to remedy this situation, it are being undertaken measures which are explained in the presentation of the revised Business Plan that is made in this document .

3. CASH FLOW

As a result of everything explained so far, and consequently , the Cash-Flow has been reduced compared to expectations, the lower cash flow generation from operations has been largely offset by a decrease in uptake of resources to investments in CAPEX.

Below, the comparison between the planned cash flow and real generated during the past year:

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| Zinkia | 2011 cons | 2011e |
|--|-----------------------|-----------------------|
| (€) | | |
| EBIT | - 100.844,67 | 961.372,12 |
| Taxation | 109.507,90 | 253.570,36 |
| Tax credit applied | - | 88.749,62 |
| Amortizations | 1.784.931,69 | 2.122.772,47 |
| Grants - revenue recognition | 15.609,00 | - |
| Operations Cash-Flow | 1.558.970,12 | 2.919.323,86 |
| Intangible Assets | 1.637.093,18 | 2.088.560,33 |
| Tangible Assets | 26.719,00 | 60.000,00 |
| Financial Assets | 471.192,11 | 1.100.085,40 |
| Capex Investment | 2.135.004,29 | 3.248.645,73 |
| Increase / decrease in accounts receivable | 121.296,02 | - 1.451.523,24 |
| Increase / decrease in accounts payable | 1.301.350,81 | 345.684,11 |
| Changes in working capital | - 1.180.054,79 | - 1.797.207,35 |
| Issue of equity instruments | - | - |
| Own shares held | 627.383,01 | 680.000,00 |
| CF debt service | - 23.362,39 | 787.885,49 |
| Incoming bank loan | 216.340,86 | - |
| Incoming loan | 2.895.438,54 | 2.500.000,00 |
| Debenture payment | - | - |
| Bank borrowing payment | 1.638.322,15 | 1.552.981,84 |
| Loan payment | 786.846,72 | 350.000,00 |
| Financial P&L | - 583.225,01 | - 534.169,62 |
| Financing cash-flow | - 523.997,49 | - 617.151,46 |
| FCF | 80.023,13 | 850.734,03 |
| Cash and cash equivalents - beginning of year | 409.566,88 | 374.499,07 |
| Cash Flow | 489.590,01 | 1.225.233,10 |
| Cash and cash equivalents - end of year | 489.590,01 | 1.225.233,10 |

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4. UPDATED FORECASTS

In view of the changes in the industry over recent years, motivated primarily by the global crisis we are experiencing, especially linked with delayed closure of commercial and production agreements, ZINKIA ENTERTAINMENT, S.A (hereinafter also “ ZINKIA” or “ Company”) has considered timely review of your business plan until 2015. It is basically an adjustment in the time of onset of new production and commercial exploitation of new markets, it does not affect both the value of the company’s medium-term and short-term financial results.

In this review of ZINKIA Business Plan for the period 2012-2015 have been contemplated , among others, three main measures:

- Temporary cancellation of productions planned and adaptation of schedule planned for productions to the current market situation and availability of funding sources.
- Adequacy of size of ZINKIA’s staff to this situation and requirements in terms of production schedule.
- Debt restructuring with financial institutions, ongoing process that will be reported when it is effective.

We want to emphasize that the strategic objectives specified by the Company at the time of his entering the market have been fulfilled in full, although the economic objectives have been delayed or moved in time, giving them the importance they deserve, the Company always pledged his commitment to create value, sacrificing, if it has been necessary, the fulfilment of economic objectives in the short term in exchange for guaranteeing a higher value in the future. In these fiscal years, ZINKIA has managed, among others, the following objectives that were set:

- Recovery of the international distribution of Pocoyó, which gives us an operational and management freedom that we believe it warrants future growth of revenues from these territories against the poor results obtained to date. This allows us to relate directly to all agents and licensees in each country. In the months since the effective reversal of the commercial management, the facts show that during the year 2011 it has reached a income figure from these territories higher than the sum of the three previous years.
- Entry into U.S market, with presence in the 3 more important television platforms. We also have a good position to local “ retailers” and in this year 2012 we expect to close a important number of license agreements in this market.
- Entry into Italian market, Portuguese, Turkish, Russian and Southeast Asiatic.
- Total coverage of Latin America, with new structure of commercial agents.

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Consequence with the foregoing and considering the content of Circular 9/2010 of MAB (Spanish Alternative Market) about information supplied by capitalization reduced entities incorporated to trading in the Alternative Investment Market, through the present document it is going to be updated the forecasts business presented in section 1.14.1 Information Memorandum of Incorporation of ZINKIA ENTERTAINMENT, S.A of July 2009, revised in April 2010 and April 2011.

In this way, it is amended the epigraph 1.14.1 of this Informative Document, which composition shall be collected as follows :

1.14 In the case that , according to the regulations of the Alternative Investment Market (MAB) or by express wish of the Issuer it will quantified forecasts or estimates of numeric character on future revenues and costs (income or sales, costs, overhead, interest expense, depreciation and profit before taxes.)

The inclusion of such forward-looking statements involves a commitment to inform the market through the MAB, as soon as it is noticed as likely that incomes and costs differ materially from expected and estimated.

1.14.1 Forecast details 2012-2015

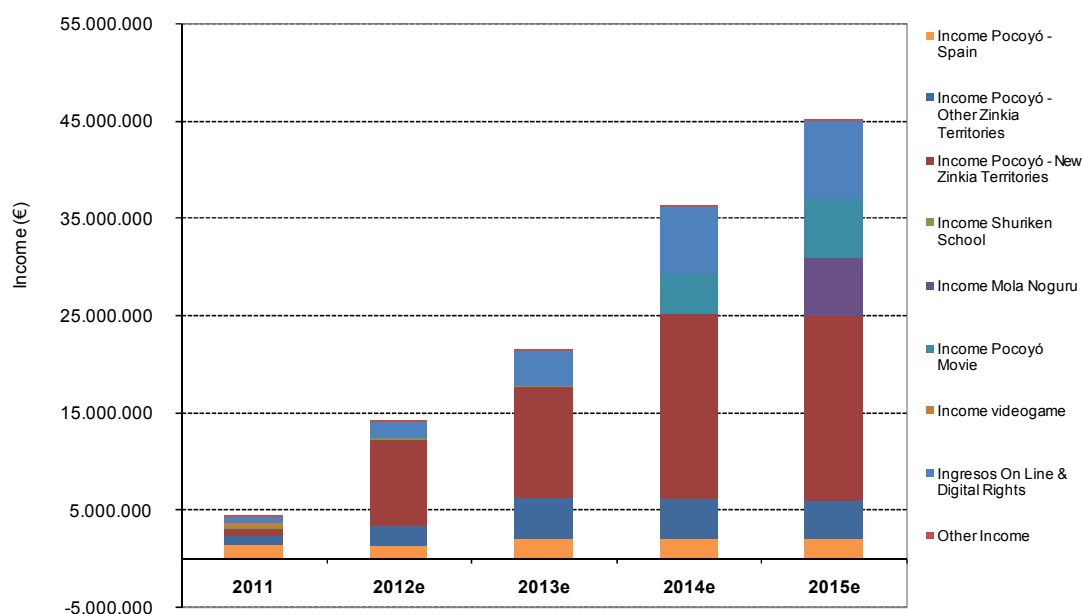
This epigraph contains the financial statements of the Company ZINKIA projected for fiscal years 2012, 2013, 2014 and 2015.

1.14.1.1 Income projection (2012-2015)

| <i>Euros</i> | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| TOTAL INCOME | 15.505.015 | 25.157.407 | 44.907.778 | 53.364.074 |
| SALES | 14.237.191 | 21.455.000 | 36.250.000 | 45.050.000 |
| Pocoyó | 12.384.598 | 17.800.000 | 25.150.000 | 24.950.000 |
| Spain | 1.300.000 | 2.000.000 | 2.000.000 | 2.000.000 |
| Other Zinkia Territories | 2.098.654 | 4.200.000 | 4.150.000 | 3.950.000 |
| New Zinkia Territories | 8.985.944 | 11.600.000 | 19.000.000 | 19.000.000 |
| Pre-sales/Coproduction | | | | |
| Shuriken School | 51.852 | 55.000 | - | - |
| Mola Noguru | - | - | - | 6.000.000 |
| Explotation | - | - | - | 6.000.000 |
| Pre-sales | - | - | - | - |
| Fishtail Saga | - | - | - | - |
| Explotation | - | - | - | - |
| Pre-sales | - | - | - | - |
| Pocoyó the movie | - | - | 4.000.000 | 6.000.000 |
| Explotation | - | - | 4.000.000 | 6.000.000 |
| Pre-sales | - | - | - | - |
| Interactive Income | 1.740.741 | 3.500.000 | 7.000.000 | 8.000.000 |
| Videogames | - | - | - | - |
| On Line and Digital Rights | 1.740.741 | 3.500.000 | 7.000.000 | 8.000.000 |
| Other Income | 60.000 | 100.000 | 100.000 | 100.000 |
| OTHER OPERATIVE INCOME | 1.267.824 | 3.702.407 | 8.657.778 | 8.314.074 |

The projected income of the Company is broken down according to the contents and brands that are already in operation or to be developed over the coming years.

A highly relevant aspect in the revenue projection is that ZINKIA business nature, makes his sales not uniform over time, since they are conditioned by the entry into operation of new markets and developed new contents.



For Pocoyó, revenues are broken down by geographical markets (for contents already in operation) and by new products developed (film). For the rest of products it has distinguished the revenue expected by way of pre-sales (customer advances) and those obtained during operation.

- **POCOYÓ.** The projections provide for revenue from the brand management through the operating licenses, and additionally, for the marketing of audiovisual content itself.
 - **Spain.** In the period projected licensing revenues are kept in a range around 1.3 to 2.0 million euro, although it is expected that for this exercise a small reduction in income, mainly due to the situation we are experiencing economic, restructuring the sales team and the new approach to brand management is expected to begin to bear fruit next year from 2013, when from which revenues are estimated sustained 2 million annually that will be backed by the launch of new content, season 4 and movie, given that last year it was completed the production of Let's go Pocoyó (considering this content, as the third season)

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- In Portugal, with the repositioning in television due to sale of second season television rights to RTP in 2011, the current situation allows us to relaunch the brand and increase revenues in the country. By 2012 we estimate that you can fold the results obtained in 2011, moving to maintain stable income between 2013 and 2015, a volume representing approximately 12.5% of the estimated income for Spain.
- In Italy, with the broadcast of Pocoyó in free TV (May 2010, RAI 2), we estimate that this year is reached around € 400,000 of income and in period 2013-2015 representing approximately 70 % of generated in the Spanish market in the same period.
- In Latin America we estimate a steady income from 2013, representing together approximately 94% of the revenues of Spain in the estimate period. In the main territories projected in estimates, the key contracts to the commercial development of the brand, have already been signed (air TV, toys, DVDs, books) , plus a growing number of licenses in other product categories.
- In China it is proceeding to the repositioning of the series in different TV channels, seeking greater geographic coverage and penetration of audiences. It is also completing the process of incorporating a new licensing agent to help commercial business expansion in this territory. However, given the political and administrative uncertainties of the country in relation to the audiovisual sector, we estimate an expected stable until 2015 at a level that represents 30% of that projected for Spain.

Projected revenues in these territories are low compared with those achieved in Spain since the launch of the brand in 2006, taking into account socio-economic factors (population, GDP, income, etc.), making the potential market is far superior in all cases.

- **FORMER TERRITORIES ITV / GRANADA - NEW TERRITORIES ZINKIA.** Historically, these territories that include all countries in the world were not directly managed by ZINKIA. Such so important markets like U.S. , UK, France and Japan have been under the commercial distribution of ITV / Granada, since last April 1, 2011, once finished the relationship with this company, ZINKIA will take care directly the distribution and their commercial management and in the UK through its subsidiary Cake Entertainment. From the effective reversal of the commercial management of these territories to ZINKIA, has begun commercial exploitation of the mark in territories where it had not done previously and the revenue generated in 2011 in these countries are higher than the sum of those generated in the 3 previous years under the management of ITV. The estimated growth in 2012 means an increase in the marketing of brands in these countries and prominently in the United States. The market size of the set of countries considered is much higher

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than in Spain, and the expected income projections moving in a range from almost 9 million by 2012 and 19 million for 2015.

- **POCOYÓ Season 4 (In previous documents called season 3, considering Let's Go Pocoyó as the third season).** Not envisages revenue to the Project, having been integrated into the forecasts by geographical areas discussed earlier. Due to the global financial situation that is going through, revenues from pre-sales of projects are considered difficult to maintain. The indirect effect on the exploitation of brand is considered in the previous lines of income.
- **SHURIKEN SCHOOL.** Despite the difficulty to commercially launch the brand while ZINKIA not have 100% of intellectual property, has worked with agents to study the exploitation of content in territories controlled directly by ZINKIA, and revenues have been estimated in more than euro 100,000 for the years 2012 and 2013.
- **MOLA NOGURU.** We estimate the start of the pre-production for the year 2014 and provides for the entry into operation of the first season in 2015 and the issuance and operation of a second season for 2016/17. Again are not considered revenue from pre-sales and operating income include sales and involve the simultaneous release of series in major international markets, unlike the release of POCOYÓ was and is being staggered over time depending on the country of broadcast.
- **FISHTAIL SAGA.** The series is at present under development. It provides for the entry into operation of the first season for 2016. Revenue considered sales brand management worldwide and involves the global launch of the series.

FISHTAIL SAGA projections contemplated lower sales than MOLA NOGURU. The reason is that MOLA NOGURU is a series aimed at preschool and has a higher potential market for sales of assignment of licenses.

- **POCOYÓ, The film.** This item includes revenue from the exploitation of content throughout the world, in all types of window (Free TV, pay TV, cinema,..) The feature film POCOYÓ will finish the development phase during 2011-12 and is expected to be opened in 2014/15.

Revenues are projected on 10 million euros. These revenues are considered, the rights of free TV broadcast, TV broadcast rights payment, distribution rights in cinemas worldwide. Not considered grants on production due to the continuous reduction of the same by the authorities that grant.

- **Developments interactive : Video Games.** ZINKIA sells its catalog of games through international distribution agreements. Due to revenue performance experienced in previous years, below expectations, the difficult situation we are experiencing, the
- expected income for the period 2012-2015 is removed, not ruling out revenue from catalog titles, but in a conservative year is preferred not reflect revenue from this way.

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- **Developments interactive: On Line contents / Digital Rights.** ZINKIA is diversifying revenue models, especially since last year 2011, considering new platforms and business models based on on-line presence and exploitation of digital rights of all its properties, which in previous years have shown a capacity generating significant revenue, growing very fast since 2009. This line of business is strengthening and be strengthened significantly during the year 2012, by internal reinforcements and consolidation of the agreements that we are maintained with third companies to maximize the potential for income generation.
- **Other income.** This line of sales includes, among others, sales of music rights.
- **Grants.** We estimated € 25,000 grants for 2012 and € 75,000 for the period 2013 to 2015, based on historical data.
- **Activations** (Projects in progress). The activations corresponding to personnel costs and other direct operating expenses incurred by ZINKIA in order to development and production of products and content.

1.14.1.2 Estimated Personnel Expenses

The projected staff costs distinguishes between fixed team of the Company and the production team, which undergoes variations depending on whether we are developing any new product.

The production team estimated by the Company to the next year, shows a significant increase linked to the development of new products expected to launch between 2012 and 2015.

| Average number of employees | 2012 | 2013 | 2014 | 2015 |
|-----------------------------|------|------|------|------|
| Regular Staff | 67 | 60 | 60 | 60 |
| Production Team | - | 89 | 171 | 171 |
| | 67 | 149 | 231 | 231 |

| COST OF EMPLOYEES | 2012 | 2013 | 2014 | 2015 |
|--------------------------------|------------------|------------------|------------------|------------------|
| Regular Staff | 3.484.213 | 3.006.385 | 3.085.519 | 3.167.045 |
| Production Team | - | 2.778.924 | 5.850.894 | 5.427.221 |
| Other Expenses | 18.000 | 18.900 | 19.845 | 20.837 |
| TOTAL COST OF EMPLOYEES | 3.502.213 | 5.804.209 | 8.956.258 | 8.615.103 |

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- 2012: Due to difficulties of access to sources of finance to undertake the projects planned, during this first year it was decided to suspend the start of productions. In this sense, we have begun the necessary steps to adjust the size of the template and adjust to this reality. Thus, it affects mainly the productive areas of the company and we expect to start of productions next year.
- 2013: It continues with the production of the fourth season of Pocoyó.
- 2014 - 2015: It completes the production of the film Pocoyó, begins production the first season Mola Noguru and begins development of Fishtail.
- While it is out of the projected period, Fishtail Saga projects and Fishtail On line will be not abandoned, but the beginning of production will be postponed to the 2016 and 2017 in this version of ZINKIA Business Plan.

Production Schedule

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------|------|------|------|------|------|
| Pocoyó Movie | | | | | |
| Pocoyó 4 | | | | | |
| Fishtail | | | | | |
| Mola Noguru 1 | | | | | |
| Mola Noguru 2 | | | | | |
| Fishtail On Line | | | | | |

1.14.1.3 Other Expenses Forecasts

The projection of other operating expenses is in line with the evolution of new products developments. Those expenses, that are not linked to production processes, maintain an upward or steady trend in the coming years, while the cost of leasing of equipments used in productions and professional services move in line with the degree of development activity.

| Cost of goods sold | 2012 | 2013 | 2014 | 2015 |
|--|------------------|------------------|-------------------|-------------------|
| Cost of goods sold | 116.471 | 70.455 | 73.978 | 77.677 |
| TOTAL | 116.471 | 70.455 | 73.978 | 77.677 |
| Other Operating Expenses | 2012 | 2013 | 2014 | 2015 |
| Leases | 193.729 | 203.416 | 213.587 | 224.266 |
| Renting | 144.000 | 260.556 | 679.003 | 887.698 |
| Repairs | 77.640 | 81.522 | 85.598 | 89.878 |
| Independent professional services | 3.187.416 | 4.535.079 | 6.807.733 | 8.183.433 |
| Insurance | 47.500 | 49.875 | 52.369 | 54.987 |
| Bank fees | 40.000 | 42.000 | 44.100 | 46.305 |
| Advertising and public relations | 575.885 | 604.679 | 634.913 | 666.658 |
| Utilities | 132.236 | 138.848 | 145.790 | 153.080 |
| Other general expenses | 467.120 | 490.476 | 515.000 | 540.750 |
| Other Expenses - Production (Leases, independent prof..) | - | 718.020 | 2.190.533 | 2.069.744 |
| TOTAL | 4.865.527 | 7.124.470 | 11.368.624 | 12.916.800 |

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1.14.1.4 Depreciation Forecasts

Allocations for depreciation of fixed assets have been projected according to the policy of the Company's current depreciation, maintaining thereby, the depreciation rates used currently depending on the item assets in question.

The new audiovisual contents, which are expected to be developed and brought into operation, have been amortized to 5 years.

| Amortization | 2012 | 2013 | 2014 | 2015 |
|---------------------------|------------------|----------------|------------------|------------------|
| Research and development | - | - | - | - |
| Intellectual Property | 1.520.109 | 781.437 | 1.726.619 | 3.709.470 |
| Software | 46.649 | 49.783 | 40.591 | 39.528 |
| Machinery | 3.000 | 4.445 | 5.868 | 7.251 |
| Other equipment | 5.440 | 4.369 | 4.301 | 5.018 |
| Furnishings | 7.690 | 8.214 | 9.192 | 9.333 |
| Data processing equipment | 30.395 | 30.430 | 34.217 | 24.839 |
| Other PPE | 4.030 | 4.631 | 5.228 | 5.830 |
| Total | 1.617.313 | 883.309 | 1.826.017 | 3.801.268 |

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1.14.1.5 Profit and Loss Forecasts

| Zinkia | 2012e | 2013e | 2014e | 2015e |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| (€) | | | | |
| Total Revenue | 15.505.015 | 25.157.407 | 44.907.778 | 53.364.074 |
| Sales | 14.237.191 | 21.455.000 | 36.250.000 | 45.050.000 |
| Other Operating Income | 1.267.824 | 3.702.407 | 8.657.778 | 8.314.074 |
| Cost of goods sold | 116.471 | 70.455 | 73.978 | 77.677 |
| Gross Profit | 15.388.544 | 25.086.952 | 44.833.800 | 53.286.397 |
| <i>% Gross Profit / Revenue</i> | <i>99,25%</i> | <i>99,72%</i> | <i>99,84%</i> | <i>99,85%</i> |
| Cost of Employees | 3.502.213 | 5.804.209 | 8.956.258 | 8.615.103 |
| Other Operating Expenses | 4.865.527 | 7.124.470 | 11.368.624 | 12.916.800 |
| EBITDA | 7.020.805 | 12.158.273 | 24.508.918 | 31.754.494 |
| <i>% EBITDA / Revenue</i> | <i>45,28%</i> | <i>48,33%</i> | <i>54,58%</i> | <i>59,51%</i> |
| Amortizations and Depreciations | 1.617.313 | 883.309 | 1.826.017 | 3.801.268 |
| EBIT | 5.403.491 | 11.274.965 | 22.682.901 | 27.953.226 |
| <i>% EBIT / Revenues</i> | <i>34,85%</i> | <i>44,82%</i> | <i>50,51%</i> | <i>52,38%</i> |
| Financial Income | - | - | - | - |
| Financial Expense | 802.816 | 779.907 | 105.876 | 44.244 |
| Financial P/L | - 802.816 | - 779.907 | - 105.876 | - 44.244 |
| Extraordinary Income | - | - | - | - |
| Extraordinary Expense | - | - | - | - |
| Extraordinary P/L | - | - | - | - |
| EBT | 4.600.675 | 10.495.057 | 22.577.025 | 27.908.982 |
| <i>% EBT / Revenue</i> | <i>29,67%</i> | <i>41,72%</i> | <i>50,27%</i> | <i>52,30%</i> |
| Taxation | 1.380.202 | 3.148.517 | 6.773.108 | 8.372.695 |
| EAT | 3.220.472 | 7.346.540 | 15.803.918 | 19.536.287 |

The income statement of ZINKIA for the coming years shows strong growth in revenue, partly explained by the activation of new developments.

The net turnover, which reflects the business of the Company, increases significantly over the forecast period due mainly to increased operation of the POCOYÓ brand in other countries and, to a lesser extent, the entry into operation of new audiovisual content and weight rise in the turnover of income from on-line presence and managing digital rights of brands generated.

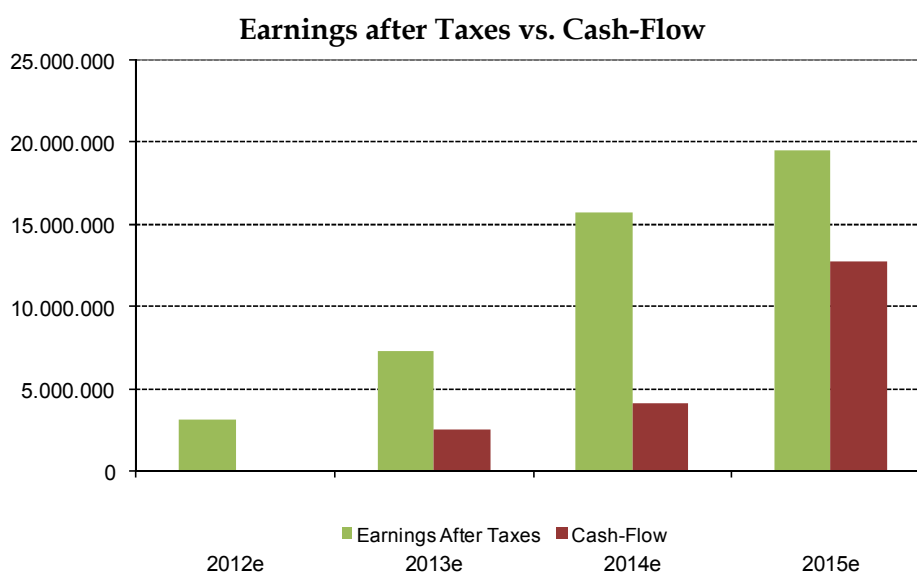
The income statement shows a high and increasing operating margins, which is explained by lower costs associated with new developments. Also a relevant factor is that the marketing strategy content and products developed by the Company focuses on the negotiation for cession of brands to licensees that generate the most revenue (sales of books, DVDs and toys) and through agents, for other licensees. This is a model based on the collection of royalties that requires a reduced cost structure, once investments were

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undertaken. This allows ZINKIA to have a structure very light sales staff and increase their margins, in exchange for losing turnover.

1.14.1.6 Cash-flow Forecasts

Both the activation of expenses and the transfer of investment to result, through depreciation, imply that income statement of ZINKIA present important differences with the effective generation of cash.



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| Cash Flow (€) | 2012e | 2013e | 2014e | 2015e |
|--|------------------|--------------------|--------------------|-------------------|
| EBIT | 5.403.491 | 11.274.965 | 22.682.901 | 27.953.226 |
| Taxation | 1.380.202 | 3.148.517 | 6.773.108 | 8.372.695 |
| Tax credit applied | 483.071 | 1.101.981 | 2.370.588 | 634.017 |
| Amortizations | 1.617.313 | 883.309 | 1.826.017 | 3.801.268 |
| Grants - revenue recognition | 21.108 | 21.108 | 21.108 | 21.108 |
| Operations Cash-Flow | 6.102.565 | 10.090.629 | 20.085.289 | 23.994.709 |
| Intangible Assets | 403.163 | 3.636.299 | 8.591.669 | 8.247.965 |
| Tangible Assets | 60.000 | 60.000 | 60.000 | 60.000 |
| Financial Assets | - | - | - | - |
| Capex Investment | 463.163 | 3.696.299 | 8.651.669 | 8.307.965 |
| Increase / decrease in accounts receivable | 5.042.660 | 32.618 | 4.864.110 | 2.893.151 |
| Increase / decrease in accounts payable | - 88.817 | 363.769 | 698.248 | 255.103 |
| Changes in working capital | 5.131.476 | - 331.151 | 4.165.861 | 2.638.048 |
| Issue of equity instruments | - | - | - | - |
| Own shares held | - 350.000 | - | - | - |
| CF debt service | 857.925 | 6.725.481 | 7.267.759 | 13.048.695 |
| Incoming bank loan | 810.000 | - | - | - |
| Incoming loan | - | - | - | - |
| Debenture payment | - | 2.258.526 | - | - |
| Bank borrowing payment | 826.868 | 1.053.404 | 521.407 | 168.507 |
| Loan payment | 120.000 | 255.000 | 2.500.000 | - |
| Financial P&L | - 577.240 | - 548.334 | - 105.876 | - 44.244 |
| Financing cash-flow | - 364.108 | - 4.115.264 | - 3.127.283 | - 212.751 |
| FCF | 143.818 | 2.610.216 | 4.140.476 | 12.835.945 |
| Cash and cash equivalents - end of year | 169.637 | 2.779.854 | 6.920.329 | 19.756.274 |

The projected cash flow by ZINKIA for the coming years depends mainly on the estimation of three variables:

- Gross operating profit expected by ZINKIA (see section of Income Statement)
- Investment in developing new products and amortization. Projections provided by ZINKIA contemplate making investments in the following products in the coming years:

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- POCOYÓ: launch of feature film of Pocoyó and the fourth season of the series.
- FISHTAIL SAGA: production of a season of the series consists of 26 episodes of 22 minutes.
- MOLA NOGURU: production of two seasons in serial format. Each season will consist of 52 episodes of 11 minutes each.

Investment schedule and estimated amounts per product

| | 2012 | 2013 | 2014 | 2015 | 2016 | Total Investment |
|------------------|------|------|------|------|------|------------------|
| Pocoyó Movie | | | | | | 10 MM |
| Pocoyó 4 | | | | | | 6,9 MM |
| Fishtail | | | | | | 6 MM |
| Mola Noguru 1 | | | | | | 6,5 MM |
| Mola Noguru 2 | | | | | | 6,5 MM |
| Fishtail On Line | | | | | | 2,3 MM |

- Needs for investment in working capital: Investment in working capital of the Company depends on the evolution of three items : debtors , trade payables and advances from customers. Following the projection made by ZINKIA:
 - **Debtors.** The debtors item is determined by accounting revenue policy of ZINKIA, which recognizes as revenue for the year the minimum amount guaranteed for next years in concept of the cession of licenses at time of signing the contract.
 - **Trade payables.** This item has a conditional evolution through the stages of content production, since they increase in operating expenses of the society.
 - **Advances from clients.** In previous versions of the Business Plan had projected this item assuming that the Company receives in concept of pre-sale of rights of the content or brand, as customer advances, 40% of the total cost of new developments. The amounts received as pre-sales by licensees of the new projects are recorded as advances from customers until such time that full production projects, at which time revenue is recognized and derecognized in the balance the advance received. As explained above, due to financial difficulties that stand in the whole sector, has chosen not envisages these numbers so that they have no impact on expected cash flows.

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| Changes in working capital | 2012e | 2013e | 2014e | 2015e |
|----------------------------|------------------|------------------|------------------|------------------|
| Debtors and receivables | 5.042.660 | 32.618 | 4.864.110 | 2.893.151 |
| Creditors and payables | - 88.817 | 363.769 | 698.248 | 255.103 |
| Advances from clients | - | - | - | - |
| | 5.131.476 | - 331.151 | 4.165.861 | 2.638.048 |

The measures adopted by the Company and listed on Page 9 of this “Year 2011. Financial Information Annex” presume that the coming years cash-flow forecast will not have the deficiencies and needs that previous versions presented.

UPDATING OF FORECASTS AND REPORT ON THEIR COMPLIANCE

1.14.1.7 Balance Sheet Forecast

| Balance Sheet (euros) | 2012e | 2013e | 2014e | 2015e |
|--|-------------|------------|------------|------------|
| (€) | | | | |
| Intangible Assets | 7.819.364 | 10.624.442 | 17.448.901 | 21.947.870 |
| Tangible Assets | 109.621 | 117.532 | 118.726 | 126.455 |
| Financial Assets | 1.035.237 | 1.035.237 | 1.035.237 | 1.035.237 |
| Deferred Taxation Assets | 4.106.586 | 3.004.605 | 634.017 | - |
| Debtors and receivables | 411.644 | 411.644 | 411.644 | 411.644 |
| Non Current Assets | 13.482.451 | 15.193.461 | 19.648.526 | 23.521.206 |
| Stocks | - | - | - | - |
| Debtors and receivables | 7.063.490 | 7.096.108 | 11.960.218 | 14.853.369 |
| Financial Assets | 211.114 | 211.114 | 211.114 | 211.114 |
| Cash | 169.637 | 2.779.854 | 6.920.329 | 19.756.274 |
| Period Adjustments | 31.010 | 31.010 | 31.010 | 31.010 |
| Current Assets | 7.475.251 | 10.118.085 | 19.122.671 | 34.851.766 |
| Total Assets | 20.957.702 | 25.311.546 | 38.771.196 | 58.372.971 |
| Issued Capital | 2.445.677 | 2.445.677 | 2.445.677 | 2.445.677 |
| Share premium | 9.570.913 | 9.570.913 | 9.570.913 | 9.570.913 |
| Own shares held | - 600.560 | - 600.560 | - 600.560 | - 600.560 |
| Reserves | 1.151.523 | 1.403.396 | 8.198.004 | 24.001.922 |
| Retained Earnings | - 3.520.531 | - 551.932 | - | - |
| Profits and losses | 3.220.472 | 7.346.540 | 15.803.918 | 19.536.287 |
| Other adjusts | - 5.999 | - 5.999 | - 5.999 | - 5.999 |
| Grants | 84.433 | 63.325 | 42.217 | 21.108 |
| Shareholders Equity | 12.345.928 | 19.671.360 | 35.454.169 | 54.969.348 |
| Long Term Debt | 3.521.032 | 499.625 | 331.118 | 311.282 |
| Deferred taxation liabilities | 51.200 | 51.200 | 51.200 | 51.200 |
| Long Term Liabilities | 3.572.232 | 550.825 | 382.318 | 362.482 |
| Short Term Debt | 3.576.925 | 3.262.975 | 410.074 | 261.404 |
| Creditors | 1.462.617 | 1.826.386 | 2.524.634 | 2.779.737 |
| Current Liabilities | 5.039.542 | 5.089.362 | 2.934.709 | 3.041.141 |
| Total Shareholders Equity and Liabilities | 20.957.702 | 25.311.546 | 38.771.196 | 58.372.971 |