CONSTANTIN
MEDIEN AG

ANNUAL REPORT 2016

Simplified Corporate Structure

As of December 31, 2016

CONSTANTIN MEDIEN AG

Major subsidiaries of Constantin Medien AG

100%

sport1 | sport1 media | PLAZA MEDIA GROUP | LEITMOTIF CREATORS | vision in motion

60.53%

Highlight

Major subsidiaries of Highlight Communications AG

100%

TEAM MARKETING | Constantin Film | RAINBOW HOME ENTERTAINMENT | constantin entertainment

Key Figures

in EUR million

	12/31/2016	12/31/2015
Non-current assets	**212.0**	295.5
Film assets	**118.7**	185.7
Other intangible assets	**32.3**	33.3
Balance sheet total	**469.5**	540.2
Subscribed capital	**93.6**	93.6
Equity	**98.1**	57.6
Equity ratio (in percent)	**20.9%**	10.7%
Net debt	**-7.4**	-72.6

	1/1 to 12/31/2016	1/1 to 12/31/2015
Sales	**565.7**	481.6
Sports	**160.7**	157.6
Film	**351.0**	272.3
Sports- and Event-Marketing	**53.8**	48.5
Other Business Activities	**0.2**	3.2
Profit from operations (EBIT)	**39.5**	40.3
Net profit	**14.4**	20.0
Net profit/loss attributable to shareholders	**8.3**	12.4
Cash flow from operating activities	**127.2**	169.0
Cash flow for investing activities	**-109.2**	-121.5
Cash flow for financing activities	**-36.2**	-2.4

	12/31/2016	12/31/2015
Shares outstanding in million	**93.6**	86.2
Share price in Euro	**2.07**	1.78
Market capitalization (based on shares outstanding)	**193.8**	153.4

	1/1 to 12/31/2016	1/1 to 12/31/2015
Average number of shares outstanding (basic) in million	**91.4**	86.2
Earnings per share (basic) in EUR	**0.09**	0.14
Earnings per share (diluted) in EUR	**0.09**	0.14
Employees (at closing)	**1,391**	1,632

Operational Highlights 2016

January 2016

Mid-January the first episode of the international Constantin Film TV production “Shadowhunters” starts at the US TV channel Freeform and also on the streaming platform Netflix.

February 2016

Since mid-February, PLAZAMEDIA has been completely staging ZDF’s mobile UEFA Champions League Studio by way of virtual graphics and augmented reality elements.

April 2016

At the beginning of April, SPORT1 secures the free-TV and livestreaming rights to the German Ice Hockey League (DEL) from Deutsche Telekom for the 2016/17 to 2019/20 seasons.

With Infront an agreement concerning the exclusive media rights to all Ice Hockey World Championships is extended until 2023; licenses are also granted for ice hockey rights to the Champions Hockey League (CHL) and the World Cup of Hockey.

SPORT1 is expanding its digital product portfolio and is launching its innovative messenger app “iM Football” in April, which combines messaging with individually selectable editorial content.

May 2016

Constantin Film continues its many years of co-operation with Elyas M’Barek and Bora Dagtekin, the leading actor or the director and writer of, among others, the “Fack Ju Göhte” theatrical movies.

June 2016

When awarding the Bundesliga rights for the 2017/18 to 2020/21 seasons, Sport1 GmbH acquires the post-exploitation rights to the Friday and Saturday matches of the Football Bundesliga and 2nd Bundesliga on Sunday from DFL, representing the most significant rights package for its free-TV channel.

At the beginning of June, SPORT1 acquires free-TV rights to season games of the Basketball Bundesliga from Deutsche Telekom for the 2016/17 and 2017/18 seasons.

The digital sports radio SPORT1.fm completely broadcasts the UEFA EURO 2016™ live. Highlight videos of all matches are shown on SPORT1.de and in the SPORT1 Apps.

With the ESL One Frankfurt, SPORT1 is the first German free-TV channel to broadcast an eSports event live. In June the “SPORT1 eSports App” is launched.

In co-operation with UEFA and the city of Paris, PLAZAMEDIA took over the planning, construction and, in June and July, the running of a media base on the UEFA EURO 2016™ Fan Zone in Paris, including the four studios for the broadcasters BBC, SVT, Globosat as well as ORF and as partner of EBU the leasing of stand up positions for numerous international broadcasters.

August 2016

At the start of DAZN, the new live sports streaming service of the Perform Group, PLAZAMEDIA is commissioned to provide extensive production and signal services.

At the end of August, SPORT1 enters into a co-operation with the German Football Association (DFB) for live broadcasts from the Allianz Women’s Bundesliga for the 2016/17 and 2017/18 seasons.

September 2016

As part of a partnership with Matchroom Sport and DAZN, SPORT1 acquires the broadcasting rights to the Darts World Championship and tournaments of the Professional Darts Corporation (PDC) until 2021.

SPORT1 concludes a content co-operation with DAZN, including live Football matches and highlights from European Top leagues and tournaments of the Women’s Tennis Association (WTA) on SPORT1+ and SPORT1 respectively.

October 2016

In mid-October, the Constantin Film production subsidiary MOOVIE makes television history with the TV production “Terror – Ihr Urteil” realized by Oliver Berben for ARD: At the end of a fictional court cause, TV viewers were able to vote on convict or acquit of the defendant.

November 2016

Key milestone as part of the digital transformation of PLAZAMEDIA: Constantin Medien AG and PLAZAMEDIA enter into an extensive partnership with the Indian global corporation Tata Communications. This gives the companies access to the rapidly growing market for services in the field of content distribution, management and storage, as well as data processing in Germany, Austria and Switzerland.

December 2016

In Mid-December, the international, Constantin Film in-house production “Resident Evil: The Final Chapter”, starring Milla Jovovich in the leading role, had its world premiere in Tokyo.

At the end of December, PLAZAMEDIA and Comcast Technology Solutions, one of the leading global operating providers for management of video content, agree a sales co-operation. As reseller of one of the world’s leading end-to-end systems of Comcast Technology Solutions for online publishing and management of video-on-demand and live content, PLAZAMEDIA is offering its clients comprehensive cloud-based OTT solutions, especially in the DACH region.


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Content

The Company

Combined Group Management and Management Report

Forward-looking statements
This document contains forward-looking statements that are based on estimates and expectations of the Management Board. Words such as anticipate, intend, expect, can/could, plan, intend, further improvement, target is and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not historical facts. They are subject to risks, uncertainties and factors, of which most are difficult to assess and which in general are beyond the control of the Management Board. Should one or more of these risks or uncertainties materialize, or underlying expectations or assumptions should not occur or prove to be incorrect, the actual results, performance or achievements of the Constantin Medien Group may differ significantly from those described explicitly or implicitly in the forward-looking statements.

The Constantin Medien AG does not intend to continuously update the forward-looking statements contained in this document.

Although every effort has been made to ensure that the provided information and facts are correct, and that the opinions and expectations are reasonable, no liability or warranty as to the completeness, correctness, adequacy and/or accuracy of any forward-looking statements in this document is assumed.

Rounding differences of +/- one unit may occur in the tables for computational reasons and the percentages shown may not precisely reflect the absolute figures that they represent.

Important notice
This document is a free translation into English of the original German text. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the German version, which is the authentic text.

Consolidated Financial Statements

Finance Calendar

Foreword by the Chief Executive Officer

Dear Shareholders,

Constantin Medien recorded an eventful and economically successful financial year 2016. The Group's operational development, particularly in the fourth quarter, exceeded our expectations, especially in the Segments Sports and Film. In 2016, we once again succeeded in improving the prior year's growth in many business areas.

Group sales reached EUR 565.7 million last year and exceeded the last forecast of between EUR 522 million and EUR 562 million, representing a 17.5 percent increase in sales against the previous year. The profit from operations (EBIT) of EUR 39.5 million was significantly above the forecast of between EUR 29 million and EUR 33 million. This pleasing development is attributable to increased earnings in the Segments Sports as well as Sports- and Event-Marketing, while the Segment Film posted a decline in earnings due to high amortizations on film assets. The Constantin Medien Group reports earnings attributable to shareholders of EUR 8.3 million, i.e. at the upper end of the target range of EUR 6 million to EUR 9 million. The profit situation was negatively impacted by the sales of non-strategic minority interests made in the first quarter of 2016, which allowed us to focus further on our portfolio and eliminate sources of losses.

In the Segment Sports, we succeeded in significantly increasing advertising sales due to the successful marketing of all SPORT1 platforms, thus compensating the decline in sales in the production services. As a result, segment sales went up by 2 percent compared to the previous year to EUR 160.7 million. In Free-TV, despite strong competition from the UEFA EURO 2016™ and the Summer Olympics, SPORT1 was virtually able to maintain its market shares, which had already increased sharply in the prior years. SPORT1 achieved highly pleasing growth in access figures, both in the online and mobile area and in terms of video views. Due to strong operational performance, the segment result recorded an 11.9 percent improvement to EUR 15.0 million despite an increase in the cost base compared to the previous year.

In 2016, the Segment Film achieved marketing successes in the areas of TV exploitation/license trading from pre-sales of the international theatrical and TV productions “Resident Evil: The Final Chapter” and “Shadowhunters” and in Home Entertainment, particularly by the performance of “Fack Ju Göhte 2”. In theatrical distribution, however, we did not met our expectations. The audience response for a number of titles was in some cases significantly below the projected values, and only one production, “Dirty Grandpa”, attracted more than one million moviegoers. Segment sales increased by 28.9 percent to EUR 351.0 million as a result of the international movies, but there was a disproportionately high increase in amortizations on film assets. Therefore the result declined by EUR 5.5 million to EUR 9.0 million.

The Segment Sports- and Event-Marketing continued its solid and highly profitable performance in 2016 as well. As a result of higher agency commissions from the successful marketing of the UEFA club competitions, sales improved by 10.9 percent to EUR 53.8 million. The result recorded a disproportional 25.3 percent increase to EUR 21.3 million.

Last year we further strengthened our operations as a result of major business deals and rights acquisitions. In the awarding of the rights to the Bundesliga and 2nd Bundesliga for the 2017/18 to 2020/21 seasons, although SPORT1 did not acquire the Monday match of the 2nd Football Bundesliga that had been on the channel for years, however did acquire the post-exploitation rights to the Friday and Saturday matches of the Bundesliga and the 2nd Bundesliga on Sunday from DFL, representing the most significant rights package for our free-TV channel. The extensive partnership that was agreed with the Indian global company Tata Communications is undoubtedly a key milestone in the digital transformation of Constantin Medien, and in particular that of our production subsidiary PLAZAMEDIA. This allows us in the future to extend PLAZAMEDIA's production portfolio by adding new areas of business, as the preferred distribution partner, PLAZAMEDIA will market the connectivity and cloud services of Tata Communications for media companies in the German-speaking region and, in the area of connectivity, will be able to offer rapid, flexible and globally available video and data connections. In return, Tata Communications will join in marketing our Sports Segment's product portfolio internationally. And as a result of the co-operation that was agreed with Comcast Technology Solutions at the end of 2016, PLAZAMEDIA’s distribution portfolio, with the video platform mpx, one of the leading international systems for publishing and managing video on demand- and live content, will in future include extensive cloud-based OTT solutions.

In 2016, the Management Board and Supervisory Board also worked intensively on the Group's future corporate strategy. In November, our Company's Annual General Meeting approved the recommendations of the Management to strive focusing strategically on the Sports activities, to sustainably improve the financing structure of Constantin Medien AG and to eliminate inefficient and expensive double structures in the Group. The ultimate purpose of all the measures is to increase our Company's profitability. The year under review, however, was also characterized by the legal disputes that arose and are still ongoing with the Swiss company Stella Finanz AG concerning the rescission of a loan and concerning the issuance of the 24.75 million shares in our subsidiary Highlight Communications AG that were pledged as collateral. Resolutions of the Annual General Meeting of November 9/10, 2016 have also been contested by individual shareholders of the Company. No decision has yet been made concerning the actions for annulment.

For the current year, we are expecting an overall positive business development which however has to be considered differentiated in the individual segments. In the Segment Sports we are currently assuming moderate increasing sales at SPORT1 although there are initial signs that the TV advertising market is going to lose some of its growth dynamic. However, the positive development of SPORT1 is facing a decline in sales due to the expected loss of the key account Sky in the production business. In the Segment Film there are still uncertainties regarding the performance of the theatrical releases, but we have high expectations in terms of the third part of the comedy "Fack Ju Göhte", which will presumably be released to theaters in fall 2017. In the current year, the Segment Sports- and Event-Marketing should continue the previous year's successes. High legal and consulting costs at Constantin Medien AG (Others division) will continue to affect the result.

On the basis of the Group, for 2017, we are currently anticipating sales of between EUR 480 million and EUR 520 million and earnings attributable to shareholders of between EUR 0.5 million and EUR 3.5 million. However, due to the still continuing dispute over the control of the Constantin Medien Group's companies, the various legal disputes as well as the effects of a possible sale of the shares in Sport1 GmbH and Sport1 Media GmbH, a number of uncertainties exist which could affect the expectations for the operational development in the segments and overall the financial targets of the Constantin Medien Group, but cannot yet be finally quantified as of today.

I would like at this point, on behalf of the entire Management Board, to express my gratitude to all our employees for their performance and their great commitment.

With best regards

Fred Kogel
Chief Executive Officer

Boards

Management Board

As of December 31, 2016, the Management Board of Constantin Medien AG was structured as follows*:

Fred Kogel, Chief Executive Officer
Effective on January 1, 2016, Mr Fred Kogel, who had been a Member of the Management Board of Constantin Medien AG since October 1, 2014, assumed the position as Chief Executive Officer. Since then he is responsible for the strategic development of the entire Group, M&A activities, Communications, Law and Human Resources as well as for the subsidiary Highlight Communications AG and its affiliates. In parallel, from October 1, 2014 until July 31, 2016, he was Member of the Management Board of the Group company Constantin Film AG and responsible for the areas TV, Human Resources, Process Management and Integration.

Olaf G. Schröder, Chief Operating Officer Sports
Effective on January 1, 2016, Mr Olaf G. Schröder was appointed Chief Operating Officer Sports to the executive committee of Constantin Medien AG. Since then he is responsible for the Segment Sports including Sport1 GmbH, Sport1 Media GmbH as well as PLAZAMEDIA GmbH. In parallel, he continues to be Chairman of the Management of Sport1 GmbH.

Dr Peter Braunhofer, Chief Financial Officer
Effective on December 21, 2016, Dr Peter Braunhofer was appointed Chief Financial Officer of Constantin Medien AG. Since then he is responsible for the areas of Finance, Investor Relations, Compliance, Administration, Accounting, Internal Audit, Controlling and IT.

Changes to the Management Board of Constantin Medien AG
In the 2016 financial year there were two changes to the Management Board of Constantin Medien AG which are described in more detail in the Report of the Supervisory Board (page 7).

Supervisory Board

As of December 31, 2016, the Supervisory Board of Constantin Medien AG was structured as follows*:

Dr Dieter Hahn, Chairman of the Supervisory Board

Andrea Laub, Deputy Chairwoman of the Supervisory Board

Stefan Collorio, Member of the Supervisory Board

Jean-Baptiste Felten, Member of the Supervisory Board

Jörn Arne Rees, Member of the Supervisory Board

Jan P. Weidner, Member of the Supervisory Board

* For further information regarding the composition and the changes in the composition of the Boards of Constantin Medien AG, reference is made to the Report of the Supervisory Board, to the Declaration of Corporate Governance, to the combined Group management and management report as well as in the notes to the consolidated financial statements, note 13, other information and disclosures.

Report of the Supervisory Board

In the 2016 financial year, the Supervisory Board of Constantin Medien AG met its legal obligations and the Company's Articles of Association, regarding detailed advising the Management Board of Constantin Medien AG, as well as monitoring its activities.

Based on written and verbal reports, the Management Board informed the Supervisory Board on a regular, timely and comprehensive basis about the business development, the planning and the situation of the Company, including risk status and risk management. On the basis of these reports, the Supervisory Board dealt in detail with the business performance of the Constantin Medien AG and the Constantin Medien Group, as well as all significant business issues.

The Supervisory Board consists of six Members in accordance with § 5 Number 1 of the Articles of Association of Constantin Medien AG. In the 2016 financial year there were the following changes in the composition if the Supervisory Board: By letter dated December 14, 2015, Mr René Camenzind resigned from his mandate as Supervisory Board Member effective from December 31, 2015. On application by the Management Board on December 22, 2015, the Munich Regional Court – Commercial Register – appointed Mr Stefan Colloria Member of the Supervisory Board on February 11, 2016, in accordance with Section 104 para. 2 sentence 2 AktG. On July 18, 2016, Dr Bernd Kuhn resigned from his office as Member of the Supervisory Board of Constantin Medien AG. At the Annual General Meeting on November 9/10, 2016 Mrs Andrea Laub and Mr Stefan Collorio were confirmed in their offices and Mr Jörn Arne Rees was elected as a new Member of the Board.

As in previous years, in the 2016 financial year the Supervisory Board again comprised two permanent committees:

The **Nominations and Legal Committee**, which met two times in the 2016 financial year, is responsible inter alia for the preparation and negotiation of the employment contracts with the Management Board Members. In addition, it develops suggestions for suitable Supervisory Board candidates, which have to be elected by the General Meeting. It advises and monitors the Management Board, particularly in terms of compliance with legal provisions. As successor of Dr Bernd Kuhn the Supervisory Board appointed Mr Jan P. Weidner to the Nominations and Legal Committee on July 27, 2016. Since then, the Committee consists of the three Members: Dr Dieter Hahn (Chairman), Mr Jan P. Weidner (Deputy Chairman) and Mrs Andrea Laub.

The **Audit Committee**, which met five times in the 2016 financial year, in particular deals with the areas of accounting, internal control systems, the risk management system, the selection and monitoring of the auditor and compliance. As successor of Dr Bernd Kuhn the Supervisory Board appointed Mr Stefan Collorio to the Audit Committee on July 27, 2016. Since then, the Committee consists of the following Members: Mr Stefan Collorio (Chairman), Mrs Andrea Laub (Deputy Chairwoman) and Dr Dieter Hahn.

The **Supervisory Board** of Constantin Medien AG held a total of eleven meetings in the 2016 financial year.

With the exception of one Supervisory Board meeting, with an excused absence of one Member, all Board Members participated in the pre-mentioned Supervisory Board meetings. With the exception of one Supervisory Board meeting, in the 2016 financial year, all Members of the Management Board participated in the Supervisory Board meetings in order to report to the Supervisory Board and to answer its questions. Furthermore, as in the past years, for the consultations the Supervisory Board called on the auditor appointed by the General Meeting for the relevant financial year. The Management Board and the Members of the Supervisory Board were in regular contact also between the meetings, and thus the Supervisory Board was kept informed about the business situation of Constantin Medien AG and the Constantin Medien Group at all times. This especially applies to the Chairmen of the Management Board and the Supervisory Board. In addition, based on detailed documentary information the Supervisory Board also made resolutions by way of circulation between the meetings.

In the 2016 financial year, the Supervisory Board focused primarily on following operations and issues:

Business situation and performance: The Supervisory Board kept itself regularly informed about the business situation of Constantin Medien AG and the Constantin Medien Group. The business situation of the Group and the segments was discussed in detail. The Management Board reported on the current business performance, potential deviations from projections and changes in the strategic environment.

Strategic focus and strategic medium-term planning of the Group: The Board repeatedly and in detail dealt with the future strategic focus of the Constantin Medien Group. Making a greater use of market opportunities in the digital area, simplifying the corporate structure as well as increasing the profitability were in the foreground. In this context, Supervisory Board and Management Board in detail addressed the financial medium-term planning of the Constantin Medien Group until 2019 and the Group financing this planning is based on. After detailed examination and discussion about various transaction models the Supervisory Board agreed with the recommendations of the Management Board to focus the Constantin Medien Group on the Segments Sports and Sports- and Event-Marketing, to significantly reduce the administration costs, especially through the dissolution of double structures, and to achieve a sustainable improvement of the financing structure. The aim is to sustainably improve the profitability and financial position of the Group, to increase the share's financial appeal in the capital market and to gain a greater scope for internal and external growth. The strategy was approved by the General Meeting on November 9/10, 2016.

Refinancing and dispute with Stella Finanz AG: The intended refinancing and dept relief of the Group and in this context the dispute with the lender Stella Finanz AG were an important topic in the reporting year. The Supervisory Board approved the contractual agreed statutory notice of termination of the issued loan of Stella Finanz AG as of June 30, 2016 and entitled the Management Board to conclude a refinancing in the amount of EUR 36.0 million with UniCredit Bank AG. Following the refusal of Stella Finanz AG on June 27, 2016 to restitute step by step the loan and to release the 24.75 million shares of Constantin Medien AG in Highlight Communications AG which have been pledged as collateral, the Management Board in coordination with the Supervisory Board immediately has taken all necessary legal measures to entirely ensure the legal position of Constantin Medien AG.

Preparation of the General Meetings: The extensive content and organizational preparations of the Annual General Meetings of Constantin Meden AG held in the reporting year were subject in the consultations to a wide extent. As an orderly resolution concerning the numerous agenda items and applications up to vote was no longer possible before the end of the Annual General Meeting on July 6, 2016 at midnight, the shareholders resolved to adjourn the meeting. The Annual General Meeting was held on November 9/10, 2016.

Further development of the Segment Sports: The Supervisory Board dealt with various topics regarding the structural and operational further development of the Segment Sports. An important event was the tender process of Deutschen Fußball Liga (DFL) for the audiovisual media rights to the Football Bundesliga and 2nd Bundesliga for the seasons 2017/18 to 2020/21. The Supervisory Board acknowledges that, in a very intensive competitive environment SPORT1 succeeded in securing one of the core rights of the Segment Sports with the post-exploitation rights to the Bundesliga and 2nd Bundesliga in free-TV on Sunday between 6 am and 3 pm. In addition, the Board approved the conclusion of a far reaching strategic partnership between Constantin Medien AG and its production subsidiary PLAZAMEDIA with Tata Communications, one of the leading providers of global telecommunication and network services. The agreement is an important step in the digital transformation and internationalization of the sports business and especially of PLAZAMEDIA.

Changes in the Management Board: The supervisory body approved two changes in the Management Board in the reporting year: Effective as of December 21, 2016, Dr Peter Braunhofer was appointed Chief Financial Officer of Constantin Medien AG. As his predecessor, he is responsible for the areas of Finance, Investor Relations, Compliance, Administration, Accounting, Internal Audit, Controlling and IT. He succeeded Mr Leif Arne Anders, who stepped down from his office for health reasons as of December 21, 2016 and resigned from the Management Board. Mr Leif Arne Anders was appointed Chief Financial Officer of Constantin Medien AG as of March 1, 2016. He succeeded Mr Hanns Beese, who acted as Chief Financial Officer of Constantin Medien AG from March 24, 2015 until February 29, 2016 in parallel to his function as Chief Financial Officer at Constantin Film AG.

Corporate Governance: In the reporting year, the Supervisory Board also dealt with different Corporate Governance questions regarding the guidelines and recommendations of the German Corporate Governance Code. This includes the appropriateness of the Management Board remuneration and the efficiency review of the Supervisory Board.

Statements relating to the disclosures contained in the management report and Group management report of the Company in accordance with § 289 para. 4 and § 315 para. 4 of the German Commercial Code (HGB)

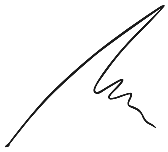
The Constantin Medien AG provided disclosures in the Group management and management report for the 2016 financial year in accordance with § 289 para. 4 and § 315 para.4 HGB. The disclosures serve to implement the requirements prescribed in the 2004/25 EG guideline issued by the European Parliament and the Council as of April 21, 2004 in terms of take-over bids. The obligation to issue this information falls on companies whose voting shares are listed on an organized market in accordance with § 2 para. 7 of the Securities and Takeover Act (Wertpapiererwerbs- und Übernahmegesetzes, WpÜG) – whether a take-over bid has been made or is expected. The information serves to enable potential bidders to make a comprehensive assessment of Constantin Medien AG and of potential takeover obstacles. The Supervisory Board has examined the relevant information contained within the combined Group management report and management report. Specific details in respect of this matter are contained in the combined Group management report and management report (chapter 6).

Audit and approval of the annual financial statements
The annual financial statements of Constantin Medien AG, the consolidated financial statements as well as the combined Group management report and management report of Constantin Medien AG as of December 31, 2016 have been audited by the assigned auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft München (Auditor), and have been issued with an Auditor's Certificate with an additional note. The annual financial statements, the consolidated financial statements and the management report of the Constantin Medien AG and the Constantin Medien Group together with the auditor's reports were submitted in a timely manner to all Members of the Supervisory Board, enabling a detailed examination of the documents.

The auditor reported on the key findings of its audit to the Supervisory Board in the Supervisory Board meeting on June 29, 2017. The Supervisory Board examined in detail the annual financial statements of the Constantin Medien AG and of the Constantin Medien Group as well as the combined Group management report and management report and noted and approved the findings of the auditor. Following the completion of its examination on June 29, 2016, the Supervisory Board raised no objections to the annual financial statements and the consolidated financial statement. It approved the annual financial statements and the consolidated financial statements of Constantin Medien AG in the form presented by the Management Board. Thereby, the annual financial statements are adopted.

Constantin Medien Group looks back on an eventful and economically successful year. On the one hand, it was characterized by a successful operational business development, in particular in the Segments Sports as well as Sports- and Event-Marketing, but on the other hand also by the disputes of two shareholder groups concerning the strategic direction of the Group. The Supervisory Board is convinced that the path taken by the Management Board will strengthen the Constantin Medien Group in the medium to long-term and create a persuasive equity story for the capital market. He thanks the Management Board, the members of management and all employees in the Group most sincerely for their great and committed work in what was anything but a simple financial year.

June 2017
Supervisory Board of Constantin Medien AG



Dr Dieter Hahn
Chairman

Declaration of Corporate Governance pursuant to § 289a German Commercial Code (HGB)

Declaration of compliance with the German Corporate Governance Code

The Management and Supervisory Boards of Constantin Medien AG in March 2017 submitted the legally required annual Declaration of Compliance with the German Corporate Governance Code (GCGC) according to § 161 Stock Corporation Act (AktG).

In this, the Management and Supervisory Boards of Constantin Medien AG confirm that Constantin Medien AG duly observed the recommendations of the GCGC published by the Federal Ministry of Justice in the official section of the Federal Gazette, in the version dated May 5, 2015, since making the last Declaration of Compliance in February 2016 with the exceptions stated below and that it will continue to do so:

Section 4.2.5 para. 3 and para. 4 of the GCGC recommend that the remuneration report inter alia presents the contributions and payments to each Management Board Member in the relevant reporting year. The table templates attached to the GCGC as annexes should be used to present this information. The recommendations in section 4.2.5 para. 3 (first bullet) and para. 4 of the GCGC are not met. Constantin Medien AG will continue to present the remuneration of its Management Board Members transparently, but particularly with regard to the different remuneration components of the Company's Board Members views the previous presentation in the remuneration report preferable compared to the presentation in section 4.2.5 para. 3 and para. 4 of the GCGC. The presentation chosen for the remuneration report allows a comprehensive disclosure of all payments to the Management Board Members as well as the provisions for any multi-year variable remuneration.

Section 5.1.2 para. 2 sentence 3 of the GCGC recommends determining an age limit for the Management Board Members. This section is not met because in terms of age of the Management Board Members of Constantin Medien AG, an age limit currently does not seem necessary. In addition, a general age limit is a very rigid instrument that unnecessarily restricts the flexibility of the Supervisory Board in selecting and/or appointing or reappointing Members to the Management Board.

Section 5.4.1 para. 2 sentence 1 of the GCGC recommends that an affiliation limit for Management Board Members shall be set. It was decided not to comply with this section because such an affiliation limit would not be appropriate because it is especially important for the Supervisory Board to consist of a mixture of experienced and newly appointed members, especially with regard to the diversity required according to the GCGC, offering advantages regarding the different appointment terms of the individual Supervisory Board Members. In addition, a longer membership in the Supervisory Board does not in itself give reason for a lack of independence or ideas. Continued membership of the Supervisory Board must therefore be assessed on a case-by-case basis.

Section 7.1.2 sentence 4 of the GCGC recommends that the consolidated financial statements shall be made public within 90 days after the financial year-end, interim financial reports within 45 days after the end of the reporting period. This section is not met because the decentralized corporate structure of the Constantin Medien Group does not currently allow the observance of these time limits. As soon as it can be ensured that this time limit can be observed with the required sustainability and reliability, the recommendation of the GCGC shall also be met.

The respective current version of the Declaration of Compliance with the GCGC according to § 161 AktG as well as previous versions are available on the homepage www.constantin-medien.de.

Objectives for the composition of the Company's Supervisory Board

The Supervisory Board of Constantin Medien AG aims at taking into account the following criteria in its composition:

1. Competence
   Professional qualification and personal experience are the primary prerequisites for the appointment to the Supervisory Board. The Supervisory Board will at all the times focus particularly on these prerequisites, which are essential for observing its legal obligations, when making proposals for appointments to the Supervisory Board. The Supervisory Board must include at least one Member who is independent within the meaning of § 100 para. 5 AktG and who has expertise in the areas of accounting and auditing.

2. Diversity
   Overall, it is the Supervisory Board's objective to optimally comply with its monitoring and advisory function through the diverse skills and personalities of its Members. This diversity includes inter alia international expertise and a variety of experiences and personal backgrounds, as well as the proportion of women. When preparing suggestions for nominations, the extent to which mutually complementary professional profiles, and professional and life experience as well as an adequate representation of both genders can be beneficial to the work of the Supervisory Board, shall be considered in individual cases.

3. Industry knowledge
   The Supervisory Board shall have at least two Members with in-depth knowledge and experience of business areas that are important for the Company, particularly the media industry.

4. Management experience
   The Supervisory Board shall have at least two Members with experience of management or supervision in a medium-sized or large company within the meaning of § 267 HGB (German Commercial Code in its current version) irrespective of its legal form.

5. Internationality
   The Supervisory Board shall have at least one Member whose professional experience provides him/her with international expertise in the Company's business area.

6. Female Supervisory Board Members
   The Supervisory Board will examine during nominations for appointments to the Supervisory Board whether suitable candidates can be appointed to the committee. The Supervisory Board shall at least include one female Board Member.

7. No material conflicts of interest
   The Supervisory Board shall not include individuals with a conflict of interest that can be expected to not simply be of a temporary nature. As a result, individuals shall not be suggested for appointment to the Supervisory Board if at the same time they have a position on an executive board or act as an advisor of an important competitor of the Company or if they could potentially suffer a conflict of interest due to another activity, e.g. an advisory role for an important contractual partner of the Company. Moreover, the Supervisory Board shall include no more than two former Members of the Company's Management Board. Additionally, the Supervisory Board complies with the provisions of the German Corporate Governance Code regarding conflicts of interest.

8. Age limit
   Candidates shall generally only be proposed for appointment to the Supervisory Board, if they have not reached the age of 70.

9. Number of independent Members
   At least half of the Supervisory Board Members shall be independent.

The Supervisory Board already now complies with the aforementioned objectives. In addition the Supervisory Board reviews each of these objectives regularly.

Information regarding corporate governance practices

Principles

The Management and Supervisory Boards work together in good faith for the benefit of the Constantin Medien AG and are committed to the principle of sustainable growth in company value. It is the aim of Constantin Medien AG to consistently justify the trust of its shareholders, customers and employees and to fulfill its social responsibilities. Here, the principles of responsible and good corporate governance determine the actions of the management and controlling bodies of the Constantin Medien AG. Thereby, integrity in dealing as well as credibility, reliability and dependability with employees, business partners and customers, shareholders, investors and the public form the basic principles of conduct.

The Constantin Medien Group is committed to regular, transparent and timely communication. In its annual reports, half-year reports and quarterly statements, Constantin Medien AG regularly issues information concerning the financial situation and development of its business. Moreover, information is published in particular by means of press releases and/or inside information according to Article 17 MAR (Market Abuse Regulation).

All the aforementioned reports and notices as well as further detailed information about the Constantin Medien AG are made available on the Company’s homepage www.constantin-medien.de.

Shareholders and General Meeting

The shareholders of Constantin Medien AG are entitled to exercise their rights, and cast their votes at the General Meeting. Each shareholder is entitled to participate in the General Meeting, to voice its opinion on individual agenda items, to ask questions and to make applications. Constantin Medien AG simplifies the process by which shareholders may exercise their voting rights through the appointment of a shareholder proxy.

Accounting and year-end audit

The Constantin Medien AG prepares its consolidated financial statements, interim financial reports and quarterly statements in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The annual financial statements of Constantin Medien AG are prepared according to the German Commercial Code (HGB). The Management Board is responsible for the preparation of the consolidated and annual financial statements and the supplementary combined Group management and management report. The combined Group management and management report of

Constantin Medien AG is prepared in accordance with § 315 HGB. It is based on the requirements and recommendations of the German Accounting Standard No. 20 (DRS 20) of the German Accounting Standards Committee e.V. After the preparation, the consolidated and annual financial statements as well as the combined Group management and management report are audited by the independent auditor, appointed by the General Meeting, and approved and adopted, respectively, by the Supervisory Board.

It was agreed with the auditor that he reports without delay to the Chairman of the Supervisory Board and the Chairman of the Audit Committee of any reasons of exclusion or conflicts of interests as well as any material findings and events discovered during the audit procedures.

Control indicators and controlling system

The Management Board of Constantin Medien AG is responsible for the strategic course and the control of the Group. The operational responsibility of the subsidiaries in the Segment Sports lies with the respective Management. Highlight Communications AG and Team Holding AG are autonomously managed by the relevant Board of Directors and Constantin Film AG by the Management Board. Key control indicators comprise financial performance indicators (especially sales and earnings) and non-financial performance indicators (based on the respective business models of the individual segments). For detailed information about the controlling system and performance indicators reference is made to the combined Group management and management report in chapter 1.2 Control system and performance indicators (page 23 et seq.).

The internal control system of the Constantin Medien Group encompasses all principles, procedures and measures undertaken to assure the effectiveness, profitability and appropriateness of the internal and external accounting system and contributes to compliance with the relevant legal requirements. For detailed description of the elements of the internal control system within the Group, which also includes the Group-wide risk management system, reference is made to the combined Group management and management report in chapter 7.2.1 (page 51 et seq.).

Collaboration between the Management and Supervisory Boards

As a German stock corporation, the Group parent company Constantin Medien AG has a dual management and control system (Two-Tier System), i.e. the Management and Supervisory Boards are separate bodies with strictly separated Members.

The Management Board of Constantin Medien AG consists of three Members. The Management Board is running the operating business of Constantin Medien AG on its own responsibility and is representing the Company in third party dealings. The principle tasks of the Management Board include the determination of the corporate strategy, the Group management and the establishing and monitoring of the risk management system.

The Management Board cooperates closely with the Supervisory Board. It informs the Supervisory Board on a regular, timely and comprehensive basis about all Constantin Medien AG and Group relevant issues regarding the planning, business performance, risk situation and risk management. Here, the Management Board agrees with the Supervisory Board on the corporate strategy and discusses its strategic implementation at regular intervals. Documents requiring decisions, in particular the annual financial statements of Constantin Medien AG, consolidated financial statements and the audit report are forwarded to the Members of the Supervisory Board in advance of the particular meeting. The internal bylaws governing the Management Board incorporate veto rights on the part of the Supervisory Board in terms of business transactions of fundamental and particular financial significance.

The Supervisory Board of Constantin Medien AG consists of six Members. The Supervisory Board advises and monitors the Management Board in corporate management. In addition, its responsibilities also include the appointment of Management Board Members. As part of its by-laws, the Supervisory Board currently has a Nominations and Legal Committee as well as an Audit Committee. The Nominations and Legal Committee is responsible in particular for preparing and negotiating contracts with Management Board Members, for developing suggestions for suitable Supervisory Board candidates who have to be elected by the General Meeting, as well as for monitoring and advising the Management Board, particularly in terms of compliance with the legal provisions. The Audit Committee assists the Supervisory Board in its monitoring role, in particular in the areas of accounting, internal control systems, risk management system, the selection and monitoring of the auditor and compliance. The Chairman of the Audit Committee, Mr Stefan Collorio, is an experienced financial expert with special knowledge and experience regarding the application of accounting principles and internal control procedures.

In the 2016 financial year, the Supervisory Board convened at a total of eleven Supervisory Board meetings. The Nominations and Legal Committee met two times and the Audit Committee met five times.

The Chairman of the Supervisory Board explains the activity of the Supervisory Board and its Committees in its report presented each year to the shareholders in the respective Annual Report of Constantin Medien AG. In this report you will find, among others, explanations on the changes in the composition of Supervisory Board and its Committees (page 7).

Terms of the Management Board contracts

Effective on January 1, 2016, Mr Fred Kogel was appointed Chief Executive Officer of Constantin Medien AG. Previously, since October 1, 2014, he was Chief Officer Production, Process Management and Integration. His employment contract as Chief Executive Officer had an original term until September 30, 2017. On February 27, 2017 the contract was extended until December 31, 2018.

Effective on January 1, 2016, Mr Olaf G. Schröder was appointed Chief Operating Officer Sports of Constantin Medien AG. His employment contract has a term until December 31, 2018.

Effective on February 29, 2016 Mr Hanns Beese stepped down from his office as Chief Financial Officer at Constantin Medien AG which he held since March 24, 2015 and resigned from Constantin Medien's executive board. His employment contract at Constantin Medien AG had a term until March 23, 2018. Effective on March 1, 2016, Mr Leif Arne Anders succeeded Mr Hanns Beese as Chief Financial Officer. For health reasons he stepped down from his office as of December 21, 2016 and resigned from the Management Board of Constantin Medien AG. His employment contract had a term until June 30, 2019.

Effective on December 21, 2016, Dr Peter Braunhofer was appointed Chief Financial Officer of Constantin Medien AG. His employment contract has a term until June 30, 2019.

Report on Management Board remuneration

In accordance with the German Corporate Governance Code, the monetary remuneration components for each Management Board Member consist of both fixed and variable components. The variable remuneration component and its amount are determined by the Supervisory Board of Constantin Medien AG according to its dutiful discretion. At this, criteria impacting on the decision are (i) the economic result of the relevant previous financial year and the two preceding financial years as well as (ii) the operating performance of the respective Board Member in the three concerned financial years. The amount is set annually after approval of the consolidated financial statements of Constantin Medien AG for the relevant financial year. This variable remuneration component is maximally up to 50 percent of the annual fixed salary of the respective Board Member. If the respective Management Board employment contract ends during a financial year, this one is paid pro rata temporis considering the financial situation at the time of the termination. In addition to a variable remuneration to be set at dutiful discretion according to the criteria above, the variable component of remuneration of the Management Board Member Mr Fred Kogel particularly consists of contractual payment claims from stock appreciation rights. The stock appreciation rights relate to shares of Constantin Medien AG and Highlight Communications AG and are staggered. The variable remuneration of the Board Member Mr Fred Kogel, consisting of the abovementioned and stock appreciation rights, is contractually limited overall. The employment contracts of the Management Board Members also contain a so-called severance payment cap in the event that the contract is prematurely terminated without due cause.

The Management Board Members are reimbursed for all out-of-pocket expenses and other costs incurred in performing tasks for the Constantin Medien AG. In addition, a company vehicle is made available to each of them for business and personal use, if applicable.

Report on Supervisory Board remuneration

The remuneration of the Supervisory Board Members is regulated in § 12 of the Articles of Association of Constantin Medien AG. In addition to reimbursement of expenditures incurred, the Members of the Supervisory Board receive a fixed and variable remuneration. The fixed annual remuneration amounts to EUR 20,000 for a Member of the Supervisory Board, EUR 30,000 for the Deputy Chairman of the Supervisory Board and EUR 60,000 for the Chairman of the Supervisory Board. For each membership in Committees, Supervisory Board Members receive an additional fixed remuneration. The fixed annual remuneration amounts to EUR 5,000 for a Member of a Committee and EUR 10,000 for the Chairman of a Committee. The variable remuneration for Supervisory Board Members is based on the long-term success of the Company. Remuneration is paid on a pro rata basis for entry into or resignation from the Supervisory Board during the year.

For further information about the Management and Supervisory Board remuneration reference is made to the combined Group management and management report in chapter 5, Remuneration Report (page 46 et seq.).

Constantin Medien AG Share

Performance of the capital markets

The 2016 stock market year had a few surprises for capital investors on the stock markets. Both economic and, above all, political events changed the mood at relatively short intervals, which in part led to strong price fluctuations. Already at the start of the year, concern about a global recession and the further decline in the oil price triggered a downward trend on the stock markets, which persisted into February. Due to a massive drop in investments into new oil fields in the USA and the resulting decline in production, the oil price was able to recover in the following months. The stock markets were also able to recover from their lows and to catch up some of the price losses. The decisions made by leading central banks also supported the capital markets. Thus, the Federal Reserve (FED) did not initially decide to raise interest rates and lowered its own forecast for upcoming interest rate increases. At the same time, in its session in March, the European Central Bank (ECB) decided to ease its monetary policy even further. Thereby it set the base rate to 0.00 percent for the first time in its history, and increased the monthly purchasing volume of bonds from EUR 60 billion to 80 billion per month until March 2017. The final chord for the first half of the year was struck by the unexpected result of the referendum in the UK regarding the decision to leave the European Union (Brexit). This led to greater price slumps in the meantime, which particularly affected the European stock markets. Over the further course of the year, the prices on the major global share markets were able to recover, however. The largely unexpected result of the US presidential election in November did not have any negative effects on global stock prices. Quite the contrary; it led to further price gains on the US stock markets in particular. At the beginning of December, the ECB decided to extend its bond purchase program until December 2017, with a monthly purchase volume of EUR 60 billion. Since the FED decided against interest rate increases over the course of the year, it increased the base rate by 25 base points in mid-December to a range of 0.50 to 0.75 percent. During the course of December, the major global stock market indices saw a year-end rally and were able to record further price gains.

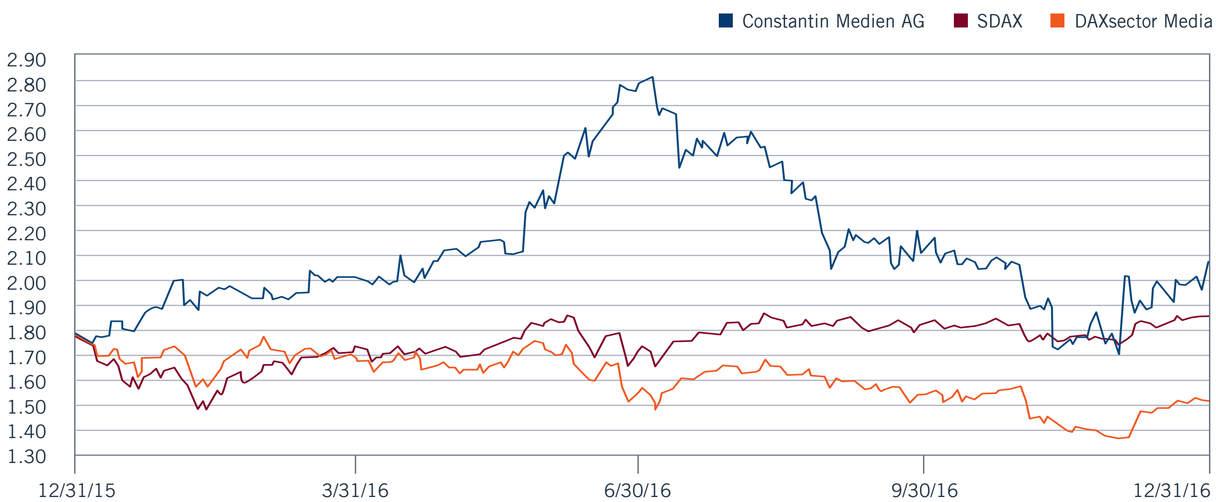
The DAX started 2016 at around 10,500 points in trade, but lost up to 1,600 points by mid-February. With a closing price of 11,481 points, however, it was able to record an increase of 7.1 percent over the course of the year. The small-cap index SDAX closed at 9,519 points at the end of the December 2016, thus increasing in value by 4.6 percent over the course of the year. In the same period, the German media stocks index (DAXsector Media) depreciated by 14.5 percent and closed at 380 points.

Constantin Medien share performance

In the 2016 financial year, the Constantin Medien share performance was characterized on the whole by a volatile up-and-down movement. Following the overall positive development in Constantin Medien's share price in the 2015 financial year, an upwards trend was established at the beginning of 2016. At the end of May, the existing upwards trend was accelerating and the share price reached its annual high of EUR 2.82 on July 5, 2016. This was followed by a downwards trend, how-

XETRA closing prices of the Constantin Medien share compared to SDAX and DAXsector Media

Comparative indices indexed to Constantin Medien's closing price as of December 31, 2015



ever, with the price of Constantin Medien shares stabilizing at a chart-driven price range of between EUR 1.70 and 1.90 by mid-November. After a brief upward movement, the Constantin Medien share closed at EUR 2.07 at the end of the year. As a result, the Constantin Medien AG share saw a rate increase of 16.1 percent over the year, thus outperforming the comparative German media index DAXsector Media (-14.5 percent) and the SDAX (+4.6 percent). As of December 31, 2016, the 52-week high stood at EUR 2.82 (July 5, 2016), with the 52-week low coming in at EUR 1.69 (November 11, 2016). At the start of the year 2017, the Constantin Medien share price had again fallen below EUR 2.00. The share price closed at EUR 2.25 on May 31, 2017.

In the 2016 year, 22.9 million Constantin Medien shares (2015: 22.4 million units) were traded on the German stock exchanges. The average turnover per trading day slightly increased to 89,997 shares after around 88,640 shares in the previous year. The position of the Constantin Medien share in the German stock exchange rankings of all MDAX and SDAX listings stood at ranking number 118 as of December 31, 2016 (2015: 124) in respect of trading volume over the last twelve months, or at ranking number 126 (2015: 118) for the so-called free float market capitalization.

The Constantin Medien share is being actively monitored by notable research institutions. In 2016, the following institutions published studies on Constantin Medien AG with target prices:

– DZ Bank – Matelan Research – Oddo Seydler Bank

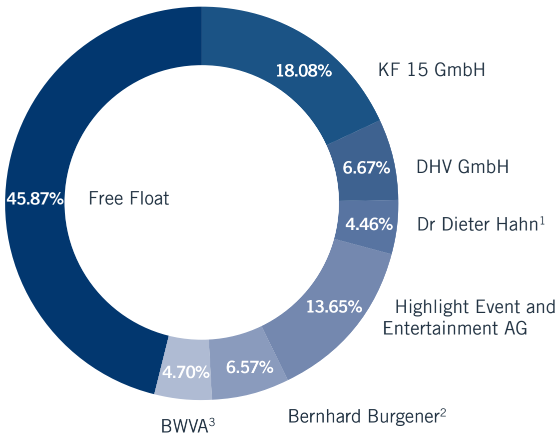
According to the studies, the average target price stood at EUR 2.50 as of December 31, 2016 (December 31, 2015: EUR 2.43).

Share capital and shareholder structure

Constantin Medien AG´s share capital did not change during the 2016 financial year and amounted to EUR 93.6 million as of December 31, 2016. As a result of the sale of 7.4 million Constantin Medien shares held by Highlight Communications AG in April 2016 by Highlight Communications AG, the stock of non-voting treasury shares was reduced to 162 shares as of December 31, 2016. As a part of the full consolidation of Highlight Communications AG, its shares in Constantin Medien AG were qualified as treasury shares up to the time of sale.

Shareholder structure as of December 31, 2016

Share capital: 93.6 million shares



[1] Attribution of further 23,167,409 voting rights
[2] Attribution of further 21,704,308 voting rights according to a voting rights agreement
[3] Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte

Major voting rights notifications

On January 18, 2016, the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte (BWVA) has informed the Company pursuant to § 41, para. 4f Securities Trading Act (Wertpapierhandelsgesetz, WpHG) that on November 26, 2015 its portfolio amounted to 0.00 percent (corresponding to 0 voting rights), in accordance with Art. 21 and 22 WpHG.

At that time, however, the BWVA was still invested with 9.6 percent of the share capital of Constantin Medien AG. Background for this notification of existing voting rights was an amendment to the WpHG as a result of the transparency directive on the harmonization of transparency participation in Europe. The amendment entered into force by the end of November 2015. According to § 1, para. 4 WpHG investors from an open special investment fund – as the BWVA – are exempted from the reporting requirements pursuant to § 21 et seq WpHG.

On April 25, 2016, Constantin Medien AG has notified that its treasury shares had fallen below the thresholds of 5 percent and 3 percent of the voting rights on April 19, 2016, and on this day amounted directly to 0.00017 percent (corresponding to 162 voting rights). Since this transaction Constantin Medien AG holds a total of 162 treasury shares without voting rights.

On June 15, 2016, Mr Bernhard Burgener has informed Constantin Medien AG according to §§ 21 and 22 WpHG that his voting rights share and that one of Highlight Event and Entertainment AG in Constantin Medien AG had exceeded the 10 percent threshold of the voting rights on June 8, 2016, and on this day amounted to 10.47 percent (corresponding to 9,798,000 voting rights). Pursuant to § 21 WpHG, on this day, Mr Bernhard Burgener held directly 6,650,000 voting rights (corresponding to 7.10 percent of the share capital) and pursuant to § 22 WpHG indirectly 3,148,000 voting rights (corresponding to 3.36 percent of the share capital).

On June 16, 2016, the LBBW Asset Management Investmentgesellschaft mbH has informed Constantin Medien AG according to §§ 21 and 22 WpHG that as a part of a sale of voting rights through a special investment fund managed by it, its voting rights in Constantin Medien AG had fallen below the thresholds of 5 percent and 3 percent of voting rights on June 13, 2016 according to §§ 21 and 22 WpHG, and on this day amounted to 1.98 percent (corresponding to 1.856.598 voting rights).

On June 16, 2016, the Constantin Medien AG received six voting rights notifications in respect to a voting rights agreement between the below mentioned and according to §§ 21 and 22 WpHG notifiable persons (Members of the voting rights pool). These notifiable persons informed Constantin Medien AG according to §§ 21 and 22 WpHG that their voting rights share in Constantin Medien AG exceeded the thresholds of 3 percent, 5 percent, 10 percent, 15 percent and 20 percent of voting rights on June 9, 2016, and on this day amounted to 22.29 percent (corresponding to 20,864,308 voting rights). On June 9, 2016, the voting rights shares of the voting rights pool members are as follows:

Voting rights shares – Members of the voting rights pool

Members of the voting rights pool	**Voting rights share** (in percent)	
	according to § 21 WpHG	according to § 22 WpHG
Bernhard Burgener	7.10	15.19
Martin Hellstern	0	22.29
Dr Paul Graf	0.56	21.74
René Camenzind	2.99	19.30
Dr René Eichenberger	0	22.29
Dorothea Kunz	0	22.29

On June 17, 2016, the members of the voting rights pool informed Constantin Medien AG according to §§ 21 and 22 WpHG that their voting rights shares in Constantin Medien AG have exceeded the threshold of 25 percent of the voting rights on June 13, 2016, and on this day amounted to 29.21 percent (corresponding to 27,344,308 voting rights). On June 13, 2016, the voting rights shares of the members of the voting rights pool are as follows:

Voting rights shares – Members of the voting rights pool

Members of the voting rights pool	**Voting rights share** (in percent)	
	according to § 21 WpHG	according to § 22 WpHG
Bernhard Burgener	7.10	22.11
Martin Hellstern	0	29.21
Dr Paul Graf	0.56	28.66
René Camenzind	2.99	26.22
Dr René Eichenberger	0	29.21
Dorothea Kunz	0	29.21

On July 5, 2016, Mr Marcel Paul Signer informed Constantin Medien AG according to §§ 21 and 22 WpHG that his voting rights share in Constantin Medien AG have exceeded the thresholds of 3 percent, 5 percent, 10 percent, 15 percent, 20 percent and 25 percent of the voting rights on June 26, 2016, and on this day amounted to 29.28 percent (corresponding to 27,404,308 voting rights).

On July 22, 2016 the BWVA has informed Constantin Medien AG that a renewed legislation amendment by the 1. FiMaNoG (Financial Market Regulations Act) obliges BWVA, as an investor of an open special investment fund, according to § 3 and § 41 para 4g WpHG to redisclose on the closing date July 2, 2016 its voting rights share in Constantin Medien AG. Based on this notification according to § 41 para 4g WpHG BWVA has informed that its voting rights share in Constantin Medien AG exceeded the threshold of 3 percent on July 2, 2016, and on this day amounted to 4.65 percent (corresponding to 4.356.598 voting rights).

On November 17, 2016, Dr Dieter Hahn informed Contantin Medien AG according to §§ 21 and 22 WpHG that on November 14, 2016, his voting rights share in Constantin Medien AG amounted to 29.21 percent (corresponding to 27,339,009 voting rights). On this day, Dr Dieter Hahn held directly pursuant to § 21 WpHG 4.46 percent of the share capital (corresponding to 4,171,600 voting rights) and indirectly pursuant to § 22 WpHG 24.75 percent of the share capital (corresponding to 23,167,409 voting rights).

Investor Relations activities

One focus of our Investor Relations activities lies in a timely and comprehensive information of all interested parties and capital market participants about all important events and developments of the Company. This is based on our annual and interim financial reports as well as quarterly statements, which provide an accurate insight into the current development of our Company. Furthermore, we inform the capital market participants about all material events in the Constantin Medien Group in the form of press and/or insider information pursuant to Art. 17 MAR. In addition, the Management Board and Investor Relations were available for discussions with analysts, investors and representatives of banks in numerous individual, group and phone meetings in 2016 – including the Deutsches Eigenkapitalforum (German Equity Forum) in Frankfurt am Main, on November 28/29, 2016.

In addition to direct communication, our website www.constantin-medien.de is the central information tool for all interested parties. It provides in a clear form all relevant facts about the history and current development of the Constantin Medien Group.

Additional capital market securities of Constantin Medien AG

In the 2016 financial year, the share of Highlight Communications AG showed a markup of 1.8 percent, above the development of the German media index DACsector Media (-14.5 percent) and below the development of small-cap index SDAX (+4.6 percent). The share price closed at EUR 5.69 on December 31, 2016. As of May 31, 2017, the shares traded at EUR 5.21.

The corporate bond 2013/2018, with issuance and value date April 23, 2013, a nominal value of EUR 65 million, an interest rate of 7.0 percent p.a. and a term of five years closed on December 31, 2016 at 101.50 percent, thus below the prior year's value (December 31, 2015: 104.95 percent). As of May 31, 2017, the corporate bond traded at 103.00 percent.

Information on Constantin Medien securities as of December 31, 2016

ISIN/WKN	
– Ordinary share (Prime Standard Segment)	DE0009147207/914720
– Highlight Communications AG share (Prime Standard Segment)	CH0006539198/920299
– Corporate bond 2013/2018 (Segment Entry Standards for Bonds)	DE000A1R07C3/A1R07C
Indices	DAXsector Media
Closing rate 12/31/2016/52-week high/52-week low	
– Constantin Medien AG (Xetra)	EUR 2.07/2.82/1.69
– Highlight Communications AG (Xetra)	EUR 5.69/6.22/4.76
– Corporate bond 2013/2018 (Frankfurt)	101.50/105.70/99.40 percent
Share capital	93.6 million shares
Shares outstanding	93.6 million shares
Corporate bond 2013/2018 outstanding	64,000 bonds
Market capitalization (related to shares outstanding as of 12/31/2016)	
– Constantin Medien AG	EUR 193.8 million
– Highlight Communications AG	EUR 268.6 million
– Corporate bond 2013/2018	EUR 65.0 million

Directors' Dealings/Shareholdings of Board Members as of December 31, 2016

In the 2016 financial year, the Company was notified by Members of the Management Board and the Supervisory Board of the following reportable purchase and sales transactions:

Transactions

Board	Name	Date of transaction	Transaction	Security	Number of units	Share price (in EUR)	Total volume (in EUR)
Supervisory Board	Dr Dieter Hahn	6/14/2016	Purchase	Share	1,033,675	2.0647	**2,134,229**
Supervisory Board	Dr Dieter Hahn	8/29/2016	Purchase	Share	620,379	2.30	**1,426,872**
Supervisory Board	Dr Dieter Hahn	11/14/2016	Sale	Share	5,628,943	1.727	**9,721,185**
Supervisory Board	DHV GmbH Dr Dieter Hahn	11/14/2016	Purchase	Share	5,628,943	1.727	**9,721,185**

The Board Member Dr Dieter Hahn (Chairman of the Supervisory Board) held a direct or indirect holding in shares or share entitlements exceeding 1 percent of the share capital as of December 31, 2016.

Shareholdings of Board Members as of December 31, 2016

Board	Name	Number of Shares
Management Board	Fred Kogel	350,000
	Dr Peter Braunhofer	0
	Olaf G. Schröder	0
Supervisory Board	Dr Dieter Hahn	4,171,600
	Andrea Laub	800
	Stefan Collorio	0
	Jean-Baptiste Felten	0
	Jörn Arne Rees	0
	Jan P. Weidner	0

COMBINED GROUP MANAGEMENT AND MANAGEMENT REPORT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SETS LEGS
LEWIS
ANDERSON
2016 WORLD CHAMPIONSHIP FINAL
William HILL
WORLD DARTS CHAMPIONSHIP

Combined Group Management and Management Report

1. Basis of the Group

1.1 Group structure and business activities

Constantin Medien AG is an internationally operating media company based in Ismaning near Munich. Business operations comprise the Segment Sports and through the majority holding in the Swiss media company Highlight Communications AG the Segments Film as well as Sports- and Event-Marketing. The investments in the Segment Other Business Activities were sold in the first quarter of 2016.

As parent company, Constantin Medien AG is the controlling holding company. With the areas Finance, Accounting, Controlling, Internal Audit, Communication, Investor Relations, Human Resources, Legal and IT Constantin Medien AG provides intercompany services and is responsible for the strategic control of the Group.

Through its 100-percent subsidiary Constantin Sport Holding GmbH, Constantin Medien AG holds a 100-percent share in each of the companies in the Segment Sports. Constantin Medien AG's 60.53-percent-holding Highlight Communications AG, for its part, amongst others, has holdings of 100 percent in Constantin Film AG, Rainbow Home Entertainment AG, Pratteln/Switzerland, Rainbow Home Entertainment Ges.m.b.H., Vienna/Austria as well as in Team Holding AG, Lucerne/Switzerland.

The **Segment Sports** comprises in the Sport1 GmbH the activities in the TV area with the free-TV channel SPORT1 and the pay-TV channels SPORT1+ as well as SPORT1 US. Furthermore, the online plattform SPORT1.de, the mobile SPORT1 applications as well as the digital sports radio SPORT1.fm belong to the portfolio of the SPORT1 umbrella brand. The diverse offers of SPORT1 are marketed by the multi-platform marketer Sport1 Media GmbH. A further major Group company is PLAZAMEDIA GmbH, which, as an established content solution provider, offers comprehensive services in the field of moving-image production and in the future will have connectivity and data center services as well as cloud-based OTT/OVP solutions in its product portfolio. Its subsidiary LEITMOTIF Creators GmbH creates and realizes content marketing strategies as moving-image solutions as well as documentaries, and under the brand name LEITMOTIF Consultants since 2017 offers media consulting and communication services for companies.

In the Segment Sports, the main sources of finance in the free-TV and digital areas are the advertising and/or sponsoring revenues and in the pay-TV area particularly the contractually agreed guarantee payments and subscriber-based feed-in contracts. In the production area, these include long-term production framework contracts and in the new digital business areas corresponding sales agreements. The main expense items in the Segment Sports comprise the costs of licensing rights, the costs of production and manufacturing, distribution costs and personnel expenses. In the production sector, these particularly include the costs of production services, investments in technical innovations and extensions, maintenance and service as well as the costs of signal routing and personnel.

The **Segment Film** contains the activities of Constantin Film AG and its subsidiaries at home and abroad as well as of the Highlight Communications subsidiary Rainbow Home Entertainment. The Constantin Film group is the most important German producer and exploiter of productions across the entire fiction and non-fiction audiovisual area. Its operations encompass the development, production and exploitation of in-house productions and acquired film rights. In-house film productions in the theatrical area are distributed both in Germany and globally, while third-party productions are basically exploited in German-speaking countries. In this, all steps along the exploitation chain are utilized (theatrical distribution, Home Entertainment releases, TV broadcast). Apart from theatrical films, the Constantin Film group realizes fictional and non-fictional productions for German and foreign TV stations. For purpose of exploiting the video rights for in-house and licensed films, Highlight Communications AG has its own distribution organization. In Switzerland and Austria, distribution of these rights is performed by the Rainbow Home Entertainment companies. Distribution on the German market is conducted by Highlight Communications (Deutschland) GmbH in co-operation with Paramount Home Entertainment/Universal Home Entertainment.

In the Segment Film the main sources of finance result from the exploitation of in-house and acquired film rights across all steps along the exploitation chain as well as from production orders by TV channels and other exploiters in the audio-visual area. Additional revenues are generated by national and international film promotion grants. The main expense items comprise acquisition and exploitation rights from scripts and literary materials, production costs as well as marketing and release expenses for the individual films.

The **Segment Sports- and Event-Marketing** includes the activities of Team Holding AG (TEAM) and its subsidiaries. The TEAM group specializes in the global marketing of international major sports events. Being one of the world's leading agencies in this area, it exclusively markets the UEFA Champions League as well as the UEFA Europa League and the UEFA Super Cup on behalf of the European Football Association (UEFA).

In the Segment Sports- and Event-Marketing, the main sources of finance are agency commissions relating to the marketing of

TV and sponsoring rights, while personnel expenses make up the largest proportion of expenses.

On February 2, 2016, the Board of Directors of Highlight Communications AG resolved to no longer pursue the activities of the **Segment Other Business Activities**. The investment in Highlight Event and Entertainment AG (HLEE) was sold on February 3, 2016 to Mr Bernhard Burgener and the investment in Pokermania GmbH was sold on March 31, 2016 to the co-partner.

Others include the activities of the holding company Constantin Medien AG.

1.2 Control system and performance indicators

1.2.1 Group management

The Management Board of Constantin Medien AG is responsible for the strategic direction and control of the Group.

With respect to the Group companies of the Segment Sports, the operational responsibility falls to the respective management of the particular subsidiaries. The control of the companies within this segment is conducted through shareholder meetings as well as strategic management meetings. Short- and medium-term planning as well as regular reports are the basis for managing the activities of the sports companies.

Highlight Communications AG and the Constantin Film AG are autonomously managed by the Board of Directors and the Management Board, respectively. As shareholder, Constantin Medien AG exercises control in the Highlight Communications group through its 60.53 percent interest. Here, short- and medium-term planning as well as regular reports to the Boards of these companies also form the basis for managing the corresponding activities. In addition, Highlight Communications AG reports to Constantin Medien AG as part of the regular Group reporting.

1.2.2 Financial performance indicators

Sales, earnings attributable to shareholders and profit from operations (EBIT) were the key performance indicators within the Constantin Medien Group in the 2016 financial year. For the 2017 financial year, the Management Board has decided, as in the previous years, to use sales and earnings attributable to shareholders as key performance indicators with regard to the consistency within the Constantin Medien Group. In addition, the financial ratios earnings before interest and taxes (EBIT) and net debt (cash and cash equivalents less financial liabilities) continues to be identified regularly for controlling and managing the segments.

1.2.3 Non-financial performance indicators and success factors

Beyond the financial key performance indicators, non-financial performance indicators and success factors arising from the specific requirements of the particular business model are also of key significance for the Company's performance.

Coverage and market shares: Market and TV viewer research is the basis for Sport1 GmbH for monitoring the program line-up of its free-TV and pay-TV channels to examine its attractiveness, to acquire interesting license rights, to develop innovative formats and to ensure program schedules that accurately reflects viewer preferences. In the free-TV area, these indicators include the daily coverage and market shares that are surveyed by the Television Research Working Group (Arbeitsgemeinschaft Fernsehforschung, AGF) and the Society for Consumer Research (Gesellschaft für Konsumforschung, GfK). In terms of SPORT1, this is in particular the market share in its core target group of males aged 14 to 49 years (M14-49). In the pay-TV area, a key non-financial indicator is the number of subscribers.

Basis for the online and mobile area are the page impressions (PIs) and visits recorded monthly by the German Audit Bureau of Circulation (Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern e.V., IVW). In the video area, video views of the SPORT1 platforms (including livestream) without YouTube are reported using DoubleClick und Akamai. Video views of the SPORT1 YouTube channels (YouTube) are reported by the YouTube Content Management System and the streaming sessions for the digital radio via Triton Digital.

In the Home Entertainment area of the Segment Film, the market share resulting from rental and sales of DVDs and Blu-rays is also a performance indicator for the success of the Highlight Communications group. The same applies to the license trading/TV exploitation and TV service production sectors, where coverage and market shares are important ratios for determining the audience success of a broadcast format and often form the basis for decisions regarding future commissions by the TV channels.

Distribution: Regarding the free-TV channel SPORT1's appeal as a platform for advertisers, the technical coverage is of great importance. In pay-TV, the presence in the attractive packages of cable network and infrastructure providers as well as the number of subscribers in particular are crucial for the channels SPORT1+ and SPORT1 US.

Number of visitors: In the theatrical distribution area of Constantin Film group, the number of viewers generated by a film is one of the key factors as theatrical success usually also impacts subsequent exploitation stages – particularly in the Home Entertainment area.

Moreover, non-financial performance indicators and success factors, which are not evaluated quantitatively and used for internal monitoring but are essential for the Company's business model, are also of key importance to the Company's performance.

Access to rights/network of contacts: For the platforms under the umbrella brand SPORT1 the access to and the availability of attractive sports rights are of great importance. The access is also dependent on factors such as convincing program concepts, a solid financing base and a close-knit network of contacts with rights holders and decision-makers in this area. In free-TV, attractive sports rights are essential to be able to maintain or expand the market share, especially in the core target group M14-49. In view of the pay-TV sports channels SPORT1+ and SPORT1 US it is a matter of guaranteeing and successively increasing the pay value.

In the Segment Film the Constantin Film group faces strong competition regarding the acquisition of literary material and scripts, as well as to conclusions of contracts with successful directors, actors and film studios. Therefore, Constantin Film AG has been working for decades very closely with renowned and experienced screenwriters, directors and producers in Germany and abroad, having a high level of expertise in the production of theatrical films and TV formats and attempts to secure them with appropriate contracts.

In the Segments Sports- and Event-Marketing trusting business relationships with the rights holders and existing and potential sponsors are essential in marketing major international sports events just as sustained high ratings of the TV broadcasts.

Innovative capability: The success of PLAZAMEDIA largely depends on its ability to offer its clients high-quality and innovative services in the areas of content creation, production technical staging and implementation, broadcasting operations, technological production innovations, interactive, digital and mobile add-on offers, multimedia content management and distribution strategies as well as in future extensive connectivity and data center services or cloud-based OTT/OVP solutions. Since technical innovations rank among the strategic success factors in the production services business, PLAZAMEDIA also puts a special focus on the further development of its technological capability.

Professional expertise: Not only in light of the growing digital and convergent media usage behavior of cross-platform offers, both technology and content experience are essential. Correspondingly, recruiting, support and retaining well-trained, qualified, dedicated and creative employees are of high priority for the Constantin Medien Group.

1.3 Material legal factors

Constantin Medien AG has to comply with a large number of stock exchange and legal requirements. As a stock corporation listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange according to German law, the Company is in particular subject to the German Stock Exchange and Capital Market legislation and has to comply with the recommendations of the German Corporate Governance Code. Highlight Communications AG is a stock corporation according to Swiss law which is listed on the Frankfurt Stock Exchange. In addition to the regulations of the Frankfurt Stock Exchange for the regulated market (Prime Standard), it follows the Codes of Best Practice of the SIX Swiss Exchange. The operating activities of the companies in the individual segments are in accordance with a variety of media, data protection and copyright laws as well as with regulatory requirements.

Segment Sports

Material legal factors affecting the free-TV channel SPORT1, the pay-TV channels SPORT1+ and SPORT1 US, the online TV offer SPORT1 Livestream as well as the digital sports radio SPORT1.fm are the German Interstate Broadcasting Treaty and the state media laws which compliance is to be monitored by the individual media institutions from each German Federal State. SPORT1 as well as SPORT1+, SPORT1 US and SPORT1 Livestream fall under the competence of the Bavarian Regulatory Authority for New Media (Bayerische Landeszentrale für neue Medien, BLM). SPORT1.fm falls under the competence of the Regulatory Authority for Commercial Broadcasting in Hesse (Hessische Landesanstalt für privaten Rundfunk und neue Medien, LPR Hessen).

Following the amendment to the Bavarian Media Act (Bayerisches Mediengesetz, BayMG), as of September 1, 2016 there is no longer an eight-year limit (formerly regularly) for all broadcast licenses granted by BLM, which also covers licenses granted previously that are still valid. Against this background the free-TV channel SPORT1, the pay-TV channels SPORT1+ and SPORT1 US and the internet TV SPORT1 Livestream service now are having broadcasting licenses with an unlimited term. The broadcasting license for the sports radio SPORT1.fm is valid until the year 2023.

As a private broadcaster, Constantin Medien Group is governed by the provisions of the State Treaty for the Protection of Youth in the Media. Under this, it is a requirement to ensure that children and adolescents cannot use offers, which might affect their development into a self-responsible and socially competent person. In addition, the Interstate Broadcasting Treaty includes various provisions in the context of advertisement placements. This includes the sweepstake shows legislation, adopted by the State Media Authorities in February 2009, which, amongst others provides stricter rules for call-in formats. The emphasis here is on protecting minor participants, and especially on stricter transparency requirements for sweepstakes. Furthermore, the State Gambling Treaty is relevant, which became effective on July 1, 2012. It contains the option to grant a limited number of concessions/licenses (also) to private sports betting providers, which however have not yet been placed, and also provides for a ban, which reserves the right of permission regarding the advertising of sports betting offers on TV and online.

Segment Film

In the Segment Film, the Constantin Medien group is also governed by a number of legal provisions of particular importance. These include the provisions regarding copyright law. The Act of Protection of Young People is also significant, which specifies that an age classification by Freiwillige Selbstkontrolle Fernsehen e.V. – a German organization for the voluntary self-regulation of television – must be provided for theatrical and video films.

The Film Funding Act (FFG) was revised, with the aim of strengthening the financial position of the German film industry. One of the material changes in the new law is the targeted strengthening of script funding. The FFG was finally passed by the Bundesrat on December 16, 2016 and thus became effective on January 1, 2017.

Source: Blickpunkt:Film, December 25, 2016

German film producers – and this also includes the Constantin Film group – are dependent on funding. In Germany, approx. EUR 220 million at federal and state level are spent every year, primarily on funding feature films. At the 2017 German Producer Day in Berlin on February 9 this year, the Federal Government Commissioner for Culture and the Media Prof Monika Grütters explained that the German Federal Film Fund (DFFF) will be increased by EUR 25 million to EUR 75 million. This makes the DFFF the most important funding institution. As similar instruments in other countries, it promotes production activities on the respective local markets.

Source: Press review, Producer alliance, November 13, 2015; press release, February 9, 2017

1.4 Research and development

The evaluation and analysis of market data in the areas viewer, user and customer research is important for the development and further development of the business areas in which the Group is operating, in order to prematurely respond to or anticipate trends in the relevant industry segments and changes in consumer behavior. In addition, these data and findings help the companies of the Constantin Medien Group to provide customers, business partners and the advertising industry with capable and substantial information for assessing their investment decisions. In this context, SPORT1 cooperates with numerous specialized companies which collect and report the relevant data and access figures in the market and TV viewer research area, the online, mobile and video areas and for the digital radio (see chapter 1.2.3 Non-financial performance indicators and success factors).

In-house productions in the Segment Film are partly subjected to an audience test as part of screenings. Awareness figures are also collected for the current theatrical releases, among others, in order to assess and if applicable to optimize the effect of the marketing activities for the relevant film.

In addition to these purely quantitative performance data, qualitative data such as for advertising impact research are also important basics for assessing, classifying and focusing the production and exploitation and/or marketing activities within the different segments. Broad-based studies and research activities regarding the development of the media industry as well as surveys, screenings and audience tests for own products, are also used. Extensive literary material is examined for market acceptance, even before production.

2. Economic Report

2.1 Overall economic conditions in the 2016 financial year

The global economy saw a positive development in 2016, although according to the International Monetary Fund (IMF) growth was below average overall. In the reporting year, the industrialized countries and emerging economies showed differing economic development: Established economies saw cautiously positive economic development, while emerging countries saw in some cases significant growth.

The IMF mentions several negative factors for the global economy in particular in the first half of the year. Such factors include the so-called Brexit, slowed economic dynamics in China, an economic development that did not live up to expectations in the USA and the decline in global trade. Ongoing geopolitical insecurities also had a negative effect.

Based on these developments, the IMF has calculated global economic growth for 2016 to be comparable to the previous year's level at 3.1 percent. The Chinese economy grew by 6.7 percent, while the US economy saw growth of 1.6 percent. According to the IMF, the economies of the Euro zone recorded a rise of 1.7 percent, primarily driven by high private consumption.

The German economy in 2016 saw a moderate upswing. According to the Federal Office for Statistics, this was primarily due to private consumption expenditure, state investments, especially as a result of immigration and the booming housing construction sector. Gross domestic product (GDP) increased by 1.9 percent in the reporting year.

Sources: International Monetary Fund (IMF), World Economic Outlook, Updates for October 2016 and January 2017; Federal Statistics Office (Destatis), press release, January 12, 2017

2.2 Market environment for media and entertainment in Germany

The development of the media and entertainment industry in Germany is generally closely connected with the development of the economy overall. However, companies generally responded more directly and promptly to economic changes in their advertising spendings as the consumers. Overall, the German media and entertainment market was characterized by moderate but consistent and lasting growth. As a result, current drivers are primarily the increasing distribution of digital devices such as smartphones and tablets but also the expansion of broadband technologies and infrastructure.

For 2016, the auditing company PricewaterhouseCoopers GmbH (PwC) anticipated sales growth for the entire German media and entertainment industry of 2.0 percent to EUR 71.8 billion. In the previous year, this increase was only 1.0 percent.

Despite growth in digital media offers, prognoses foresee traditional television continuing to be the largest submarket in 2016, achieving a sales growth of 1.8 percent, while radio will stay at roughly the same level as in the previous year. Overall market growth was primarily driven by the areas of online advertising (+7.5 percent over the previous year) and internet access (+4.4 percent). Magazines were also largely able to maintain their position (-0.2 percent), while newspapers saw a drop in sales by 0.9 percent. Expenditures in the sports sector (rights marketing and sponsoring) however grew by 15.7 percent in 2016.

Source: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, "German Entertainment and Media Outlook: 2016 – 2020"

2.3 Sector-specific general conditions, operating performance and analysis of non-financial performance indicators of the segments

2.3.1 Sector-specific general conditions in the Segment Sports

According to the information and media company Nielsen Media Research, the German gross advertising market reached a total of EUR 30.91 billion in the 2016 financial year – an increase of 4.95 percent compared to 2015. Advertising on mobile devices again generated the strongest growth with a plus of 72.41 percent (total volume in 2016: EUR 0.518 billion). In 2016, TV reaches EUR 14.93 billion and hence a growth of 6.83 percent compared to 2015. Out-of-home grows by 7.93 percent to EUR 1.85 billion, radio by 8.90 percent to EUR 1.83 billion, while the Nielsen Top Ten Trends from January 2017 reported that the online segment had fallen slightly since the previous year period, recording a total volume of EUR 2.94 billion in 2016 – a drop by 4.17 percent compared to 2015.

Source: Nielsen Media Research GmbH, Nielsen "Advertising Trend: Top Trends in December 2016", January 13, 2017

German sports media was also shaped by football in 2016, however with changing viewing habits and a growing number of OTT platforms, also giving more niche sports the opportunity to grasp a higher media presence. This may lead to new business and sales potential in the production market.

The trend towards High Definition technologies, such as 4K or 8K, also continued in the production market in 2016. Sports live productions and their unique requirements are perfect for testing new production methods in the area of high resolution images. For instance, during UEFA EURO 2016™ in France, eight matches were produced in 4K. Even though the prevalence of 4K-capable TVs is still modest, even more first tests of 8K productions have been conducted in the sports area in 2016. During the Summer Olympics in Rio, sports facilities and venues offered an ideal environment for using remote broadcasting technology. In addition to high definition production methods and remote technologies, augmented and virtual reality solutions remained an important topic at the IBC in Amsterdam, one of the most relevant trade fairs in the production sector.

Sources: omnigon.com, "Over-The-Top-Streaming Of Rugby Will Help The Sport's Popularity In America", June 8, 2016.film-tv-video.de, "Fußball-EM: acht Spiele in 4K – aber nicht in D", June 10, 2016; March 22, 2016; tva.onscreenasia.com, "Globo and NHK to deliver in 8K", June 2, 2016; avidblogs.com "Olympische Sommerspiele 2016: Wettbewerbsvorteile dank Remote Production", September 29, 2016; broadcastbeat.com, "Virtual / Augmented Reality Studio Production Trends", April 14, 2016.

2.3.2 Operating performance in the Segment Sports

In 2016, the focus of Germany's leading 360° multimedia sports platform SPORT1 remained upon the further strengthening of the rights portfolio, creating new digital content and marketing areas, as well as cross-platform content exploitation and integration.

Acquisition of further top rights – In the year under review, Sport1 GmbH again acquired attractive rights for their free-and pay-TV, online, mobile and radio offers: In terms of awarding the Bundesliga rights for the 2017/18 to 2020/21 seasons, SPORT1 was awarded the most important rights package for its free-TV channel from DFL. This includes the post-exploitation rights to the Friday and Saturday Bundesliga and 2nd Bundesliga games on Sunday, especially in the success formats “Der Volkswagen Doppelpass” and “Bundesliga Pur”.

“Der Volkswagen Doppelpass”

The football highlight of the year, the UEFA EURO 2016™, was broadcast live by the digital sports radio SPORT1.fm. Highlight videos of all 51 matches where shown on SPORT1.de and in the SPORT1 Apps. The partnership with the German Football Regionalliga for up to 20 live matches will continue until the end of the 2016/17 season. A co-operation was concluded with the German Football Association (DFB) for live broadcasts from the Allianz Women’s Bundesliga for the 2016/17 as well as the 2017/18 seasons and the first official international games of the new German Futsal national team of DFB was broadcast by SPORT1 live on free-TV.

Furthermore, SPORT1 purchased the free-TV rights from Deutsche Telekom for up to 48 German Basketball Bundesliga season matches for each of the match periods 2016/17 and 2017/18 as well as the free-TV and livestream rights to at least 40 matches of the German Ice Hockey League (DEL) for the match periods 2016/17 to 2019/20. SPORT1 acquired live rights from Infront Sports & Media for the games of Germany women’s handball team at the EHF EURO 2016 in Sweden in December 2016. The agreement with Infront concerning the exclusive media rights to all Ice Hockey World Championships was extended until 2023; licenses were also granted for ice hockey rights to the Champions Hockey League (CHL) and the World Cup of Hockey. Extensive pay-TV rights to the National Hockey League (NHL) from 2016/17 up to and including 2019/20 were acquired from the International Management Group (IMG) – SPORT1 US shows up to 140 games per season live.

As part of a new partnership with Matchroom Sport and DAZN, among others, the broadcasting rights to the World Darts Championship and tournaments of the Professional Darts Corporation (PDC) were acquired until 2021. SPORT1 concluded a content co-operation with DAZN, including the exploitation of live football matches and highlights from European Top leagues and tournaments of the Women’s Tennis Association (WTA) on SPORT1+ or SPORT1.

DEL: Düsseldorfer EG – Kölner Haie

For its “Home of Motorsport”, SPORT1 purchased an extensive rights package of the FIA World Rally Championship (WRC) for the 2017 and 2018 seasons.

With ESL One Frankfurt in June, SPORT1 was the first German free-TV channel to broadcast an eSports event live and in the further course of year also acquired live rights to the European “League of Legends Championship Series Summer Finals 2016”, the “League of Legends World Championship Finals 2016” and the “League of Legends Grand Finals 2016” of the Intel Extreme Masters.

UEFA Europa League: Borussia Dortmund – FC Liverpool

Start of new digital products – SPORT1 also developed further its digital product portfolio in 2016: In April, the innovative messenger app “iM Football” was launched, which combines messaging with individual selectable editorial content, and the “SPORT1 eSports App” started in June.

Extensive marketing partnerships – In the area of marketing, SPORT1 MEDIA in the reporting year acquired, among others, Lieferando.de and FALKEN as program sponsor for the UEFA Europa League on SPORT1. In addition, SPORT1 MEDIA entered into a marketing co-operation with ProSiebenSat.1 PULS 4 for the start of an Austrian advertising window on SPORT1 HD in the first quarter of 2017.

With the objective of expanding existing business relationships and tapping into new customer groups, in the 2016 financial year PLAZAMEDIA expanded traditional production activities and further developed innovative production technologies as well as content management and distribution solutions. In August, the new management division of digital products was introduced, in order to drive forward the further and new development of digital products, production activities and additional services.

Expansion of existing and development of new customer relationships – In co-operation with UEFA and the city of Paris, at UEFA EURO 2016™ PLAZAMEDIA took over the planning, construction and, during the European Championship in June and July, the operating of a media base in the Fan Zone in Paris run by Lagardère Sports, including the four studios for the broadcasters BBC, SVT, Globosat and ORF, and as a partner of EBU the leasing of stand-up positions for numerous international broadcasters.

With DAZN, the live sports streaming service of the Perform Group, PLAZAMEDIA was able to acquire a new, renowned and international operating customer. Since the launch of DAZN in August 2016, PLAZAMEDIA has been handling the broadcasts of up to 20 parallel live sports events and is providing extensive production areas and capacities.

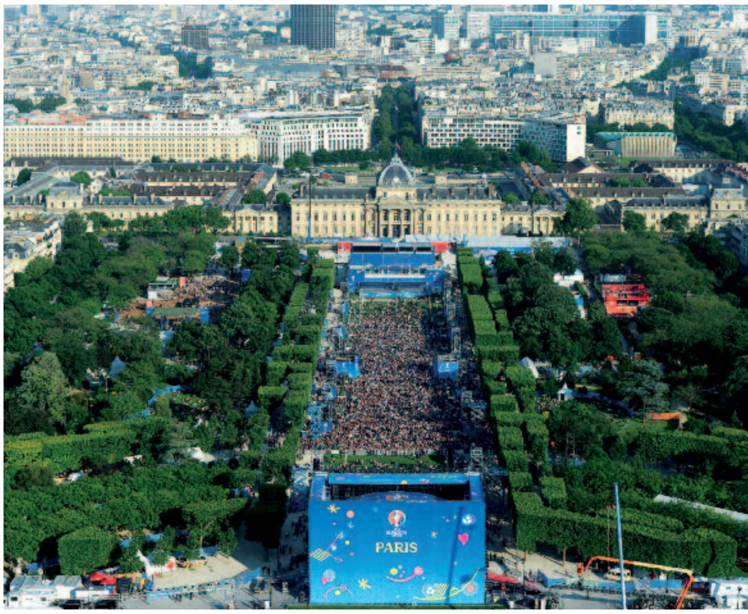
Success with innovative production technologies – Since mid-February, PLAZAMEDIA has been restaging ZDF’s mobile UEFA Champions League Studio by way of virtual camera technology and augmented reality elements. A further important step towards the implementation of modern concepts in PLAZAMEDIA’s production portfolio was made in mid-August through the successful switch of SPORT1's talk format "Der Volkswagen Doppelpass" from traditional OB unit to completely IP-based broadcasting via remote technology. Since then, PLAZAMEDIA has been able to offer all three possible types of production (OB unit, remote and respective hybrid forms).

ESL One Frankfurt 2016

Partnership with Tata Communications – Key milestone as part of the digital transformation of PLAZAMEDIA is the extensive and long-lasting partnership between Constantin Medien AG, PLAZAMEDIA and the Indian global company Tata Communications. As part of the agreement concluded in November 2016, PLAZAMEDIA is not only customer, but also preferred distribution partner for Tata Communication's connectivity and cloud services for media companies in the DACH region. In the area of connectivity, PLAZAMEDIA now will be able to offer rapid, flexible and globally available video and data connections. In return Tata Communications will join in internationally marketing the product portfolio of the Sports Segment of Constantin Medien AG.

Co-operation with Comcast – At the end of 2016 PLAZAMEDIA entered into a further promising co-operation: In the context of an agreement with the US distribution specialist Comcast Technology Solutions (CTS), as sales partner of its multi-platform video management and monetization system Video Platform mpx, PLAZAMEDIA is able to offer its clients comprehensive cloud-based OTT solutions in terms of online publishing and management of video-on-demand and live content in the future.

LEITMOTIF well-positioned – In the 2016 financial year, LEITMOTIF Creators GmbH was able to well position itself on the market with its service portfolio in both core segments of Premium TV Formats and Content Marketing. With its "Archaic Festivals" format, LEITMOTIF Creators realized on behalf of Red Bull TV five independent documentaries with productions on four continents for various media platforms – from TV to social web.



UEFA EURO 2016™ – Media Base of PLAZAMEDIA

2.3.3 Analysis of non-financial performance indicators in the Segment Sports

Technical distribution of SPORT1 slightly increased – The free-TV channel SPORT1 was available in 32.79 million households in Germany in 2016 (2015: 31.71 million) and therefore almost area-wide, at 85.9 percent of all accessible households in Germany (2015: 85.6 percent).

Source: AGF in co-operation with GfK (TV Scope), December 1, 2015/2016; SPORT1 media research

UEFA Cup sets new broadcasting records – SPORT1 saw excellent free-TV ratings in 2016 with its live broadcasts of the UEFA Europa League: With both quarter finals between Dortmund and Liverpool in April, the broadcaster had 5.8 million or 6.3 million viewers on average (aged 3+). In addition to the ratings, the market shares of aged 3+ and M14-49 had the highest values in their history, with 21.2 percent and 32.6 percent respectively.

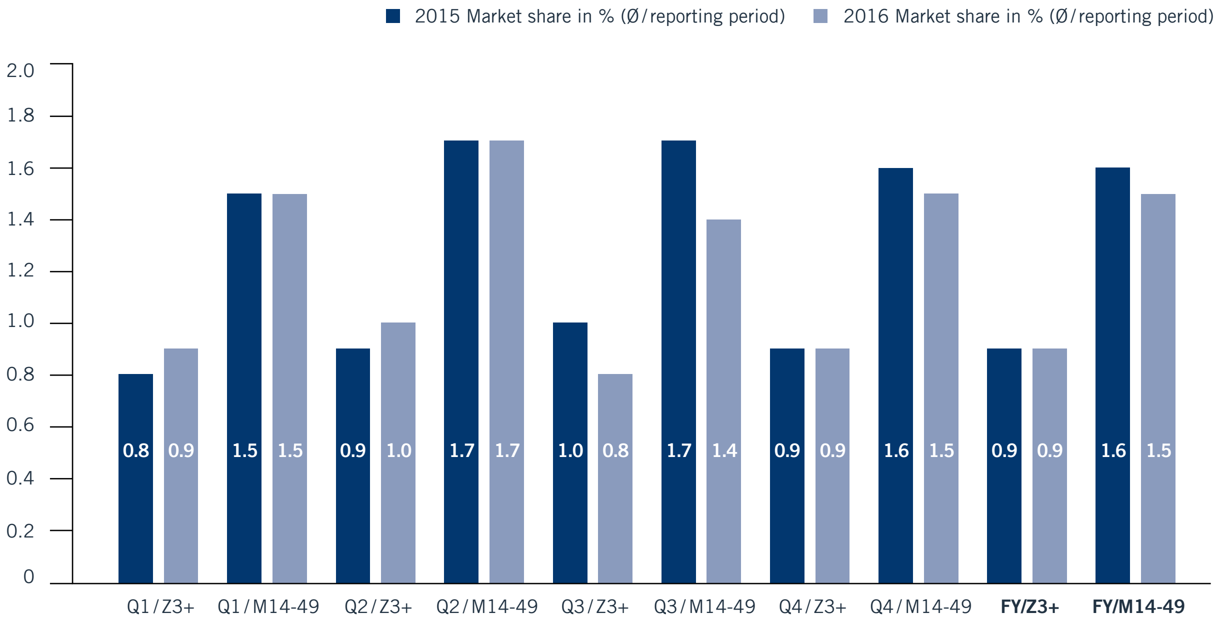
In addition to the UEFA Europa League, the formats of the Bundesliga and 2nd Bundesliga as "Der Volkswagen Doppelpass" and "Hattrick Live", as well as the live broadcastings of the Ice Hockey World Championship and the Darts World

Championship also were program highlights, generating coverage of at times significantly more than one million viewers. Overall, SPORT1's broadcasts saw viewing figures of over one million viewers on average (aged 3+) over 30 times in 2016.

Source: AGF/GfK, TV Scope, January 1 to December 31, 2016; SPORT1 media research

Market shares stable despite European Championship and Olympics – Due to its attractive program portfolio SPORT1's free-TV market share in the aged 3+ range remained stable, despite competition from the UEFA EURO 2016™ and Summer Olympics, and was only slightly below the previous year's level in the men aged 14-49 range (M14-49).

SPORT1 I Market shares Free-TV in %



Source: AGF/GfK, TV Scope, January 1 to December 31, 2016; SPORT1 media research

Pay-TV distribution remains at high level – The pay-TV channel SPORT1+ recorded around 2.13 million subscribers as at December 31, 2016, compared to around 2.04 million at the end of 2015 – both excluding the subscribers who receive the channel via Sky. The subscription figures for SPORT1 US as at December 31, 2016 stood at 1.51 million subscribers (end of 2015: approx. 1.43 million), this also excluding the subscribers of Sky.

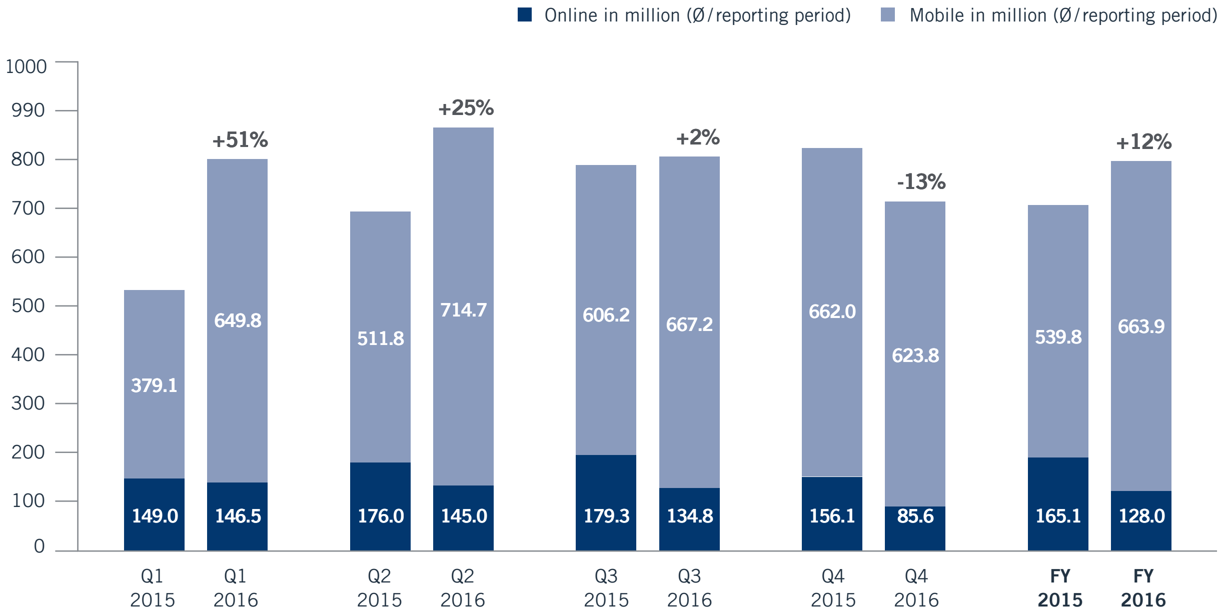
Sources: Values based on reports from cable network and platform operators (excluding Sky)

Lasting increase in cumulative online and mobile ratings – With an average of 791.8 million page impressions (PIs) and 82.8 million visits per month, SPORT1's cumulative online and mobile ratings in the 2016 overall year have improved compared to the previous year (PIs: +12 percent; visits: +4 percent compared to 2015). In particular, the mobile area and in the editorial field the Handball European Championships, the UEFA Europa League, the UEFA EURO 2016™, the Summer Olympics as well as the Darts World Championship contributed to this positive development.

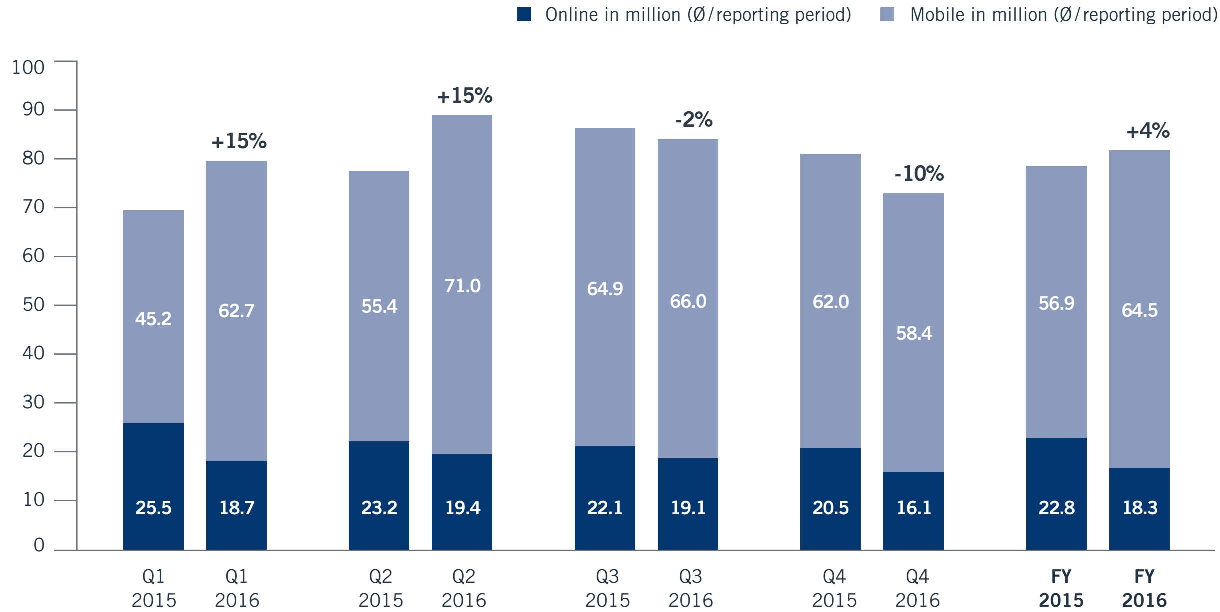
The pure online coverage of SPORT1 in 2016 was 22 percent below prior year values for PIs and around 20 percent for visits. This development is due to the fact that mobile traffic in recent years has gained greater significance, while the use of stationary offers has declined. Ad-blocker solutions also contributed to this development.

Continous growth in the mobile sector – With a monthly average of 663.9 million PIs (+23 percent over 2015) and 64.5 million visits (+13 percent over 2015) growth continued to be recorded in the mobile segment in 2016. The positive development in the mobile area is also due to the optimization of the SPORT1's Apps and website.

SPORT1 I Page Impressions in million



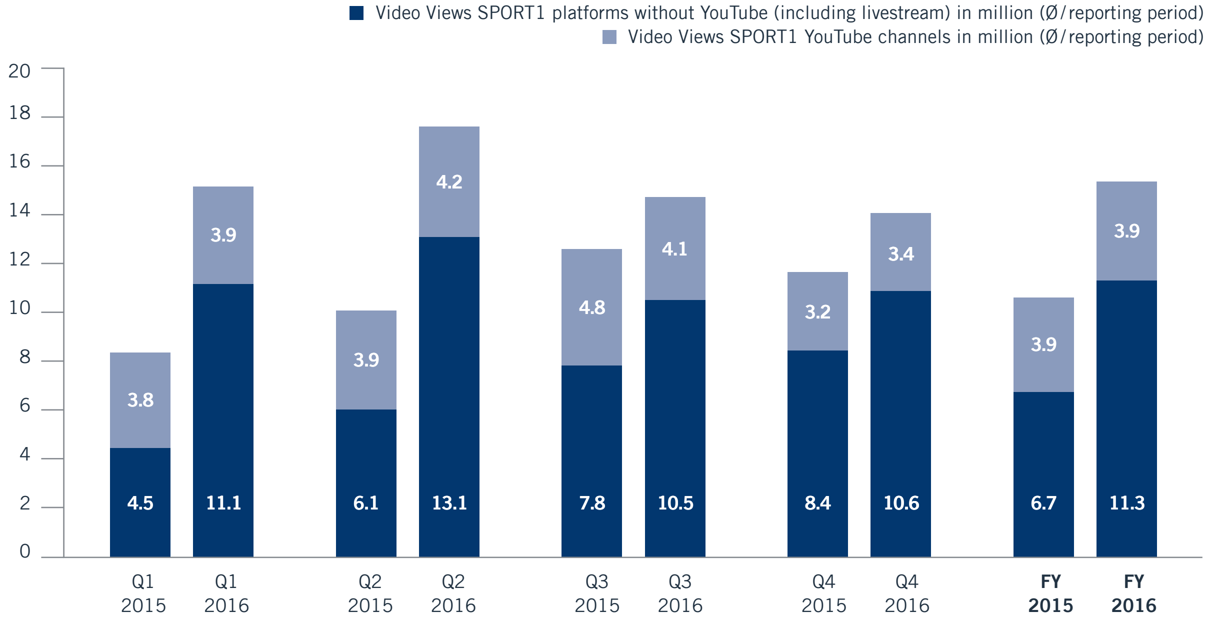
SPORT1 I Visits in Mio.



Sources: IVW (German Information Association for the Ascertainment of Distribution of Advertising Media) January to December 2015/2016; online: sport1.de; tv.sport1.de; video.sport1.de, bundesligamanager.sport1.de (until May 2016; from August 2016) and SPORT1.fm; mobile: MEW, SPORT1 News App (iOS, Android and Windows until 12/2016), Manager App until May 2016 (Android and iOS), video app (Android and iOS), FM app (Android, iOS and Windows) and darts app (Android and iOS from August 2016)

SPORT1.de and SPORT1.fm have been managed under one label at IVW since January 2016 and are shown combined on a monthly basis. The values from 2015 were supplemented by the values of SPORT1.fm accordingly.

SPORT1 I Video Views in million



Sources: Video views SPORT1 platforms excluding YouTube: Google Analytics January to December 2015; DoubleClick January to December 2016; livestream: Akamai January 2015 to October 2016, DoubleClick from November 2016; YouTube Content Management System January to December 2015/2016

Since January 2016 and November 2016 respectively, the data on video views for SPORT1 platforms (excluding YouTube) have been collected by DoubleClick; a comparison with previous periods is therefore not possible.

Video views with very good development – The number of video views on the SPORT1 platforms (including livestream) excluding YouTube has seen a very positive development in 2016 with 11.3 million views on average. By focusing content distribution on the SPORT1 platforms, video views on the SPORT1 YouTube channels remained almost constant (-0.2 percent over 2015).

Decline in streaming sessions on SPORT1.fm – With 2.4 million streaming sessions per month on average, SPORT1.fm streaming session numbers in 2016 were below the monthly averages of the previous year (2.8 million streaming sessions). The decline results among others from the increased distribution by way of DAB+ devices and in the rise in further radio services (such as by football clubs).

Source: Triton Digital, January to December 2015/2016

2.3.4 Sector-specific general conditions in the Segment Film

Theatrical distribution – Sales in the German cinema market in 2016 at around EUR 1.023 billion were around 12.4 percent below the previous year's values (2015: around EUR 1.167 billion). The number of visitors saw a decline by 13.0 percent to approx. 121 million. (2015: around 139 million). German in-house and third-party productions suffered significant losses, achieving a market share of 22.7 percent in terms of viewers (2015: 27.5 percent) – the lowest value since 2012. Compared to the prior year, this is a decrease of around 25.0 percent.

Of all films that were shown in Germany in 2016, 32 were able to attract more than one million moviegoers (including previews). The most successful movie was "Zoomania" with approximately 3.82 million viewers, followed by "Pets" (approximately 3.81 million viewers), "Finding Dory" (approximately 3.8 million viewers) and "Rogue One: A Star Wars Story" (around 3.5 million viewers) which was only released to cinemas on December 15, 2016.

Source: comScore/Rentrak Evaluations of the theatrical market in Germany, all of 2016

Home Entertainment – The downward trend in the overall German Home Entertainment market is continuing. At EUR 1.45 billion, sales in 2016 were 10 percent below the previous year (EUR 1.61 billion); these figures do not include the rapidly growing subscription video on demand business (SVoD). The decrease is due to a continuing fall in sales volumes from the sale and rental of physical media (DVD and Blu-ray). While EUR 1.41 billion was still generated in this area in 2015, in the past year this value fell to EUR 1.23 billion – a minus of 12.8 percent.

Digital exploitation formats remained on a growth course (electronic sell-through and transactional video on demand). In these areas, sales rose from EUR 0.20 billion to EUR 0.22 billion, which corresponds to a significant increase of 12.0 percent, but was not sufficient to compensate for the decline in physical data media.

Source: GfK Consumer Panel; Federal Audiovisual Media Association, press release, February 7, 2017

2.3.5 Operating performance in the Segment Film

Eleven movies in production – As in the previous year, the 2016 financial year saw the realization of eleven in-house and co-productions in total, including the international in-house production “Resident Evil: The Final Chapter” as well as renowned national brands such as the fourth adaptation of the series of novels by Rita Falk (“Grießnockerlaffäre”) and “Ostwind 3”. Filming also took place for the drama “Jugend ohne Gott”, the children’s book adaptation “Jim Knopf und Lukas der Lokomotivführer”, the novel adaptations “Dieses bescheuerte Herz” and “Das Pubertier” as well as the comedy “Verpiss Dich Schneewittchen”.

“Resident Evil: The Final Chapter”

Two well-performing titles in theatrical distribution – In 2016, Constantin Film group released twelve out of the thirteen initially planned films to German theaters, since the release date of “Timm Thaler” was postponed until 2017. The film pipeline contained three in-house/co-productions and nine licensed titles. Good attendance figures were seen for the in-house production “Schweinskopf al dente” – the third part of the Rita Falk series – and the licensed title “Dirty Grandpa” starring Robert de Niro and Zac Efron.

“Fack Ju Göhte 2” the top-selling DVD of 2016 – In the Home Entertainment area, the market share was able to be increased compared to the previous year – despite a decline in sales in the overall market. This improvement is, as expected, primarily due to the new release of the box-office hit “Fack Ju Göhte 2”, which was able to seize the top position in the German annual DVD sales charts. In addition, the satire “Look Who’s Back” and the teen movie “Ostwind 2” achieved very good sales figures. In addition, the year 2016 saw solid catalog business again.

Start of major license periods in the area of license trading/ TV exploitation – Licenses of various in-house and third-party productions were also realized in the 2016 year. As in the past year, sales-related transactions in this area, almost entirely represented the traditional exploitation stages free-TV and pay-TV.

In the free-TV area, the starts of the first licenses of “Pompeii” (ProSiebenSat.1), “Need for Speed” (ProSiebenSat.1), “Fack Ju Göhte” (ProSiebenSat.1) “The Mortal Instruments” (ProSiebenSat.1) and the three-part series “Winnetou” (RTL) in particular had an impact on sales. In the pay-TV sector, these included the first licenses of “Frau Müller muss weg” (Sky), “Männerhort” (Sky) and “Ostwind 2” (Sky).

At the end of January, the streaming platform Netflix acquired the entire exploitation rights to the Constantin Film theatrical success “Look Who’s Back” for all territories outside Germany, the Benelux states and Japan. Netflix is offering the film worldwide exclusively as a “Netflix original” via different exploitation formats (streaming, DVD/Blu-ray etc.).

Extension of TV service production – Both national and international fictional TV productions were able to be further extended in the year 2016. On national level the miniseries “Das Sacher. In bester Gesellschaft”, “Familie!” and “Schuld 2” were of particular note. In addition, with the feature film “Terror – Ihr Urteil” an innovative TV format with active audience involvement was created. On international level, realization of the second series of the major production “Shadowhunters” started for the US channel Freeform.

In the entertainment sector, productions included further episodes of well-known daily shows ”Schicksale” (SAT.1) and “Shopping Queen” (Vox) as well as the weekly format “Frauentausch” (RTL2). Contrary to the 2016 forecast, the number of dailies produced was not increased.

"Schweinskopf al dente" – Sebastian Bezzel, Sigi Zimmerschmied

2.3.6 Analysis of non-financial performance indicators in the Segment Film

Focus on long-term co-operation – The size of the theatrical movie market is defined primarily by the commercial qualities of the movies released each year. The movies that the Constantin Film group offered to audiences in the past financial year were worked on by 25 producers with creative control, 20 executive producers and a large number of filmmakers, writers, directors, and actors, some of whom have agreed to work with Constantin for some time to come. In mid-2016, for example, an exclusive output deal for two to three further feature films was signed with the successful director Bora Dagtekin. In addition, a framework agreement for at least three further films and a term until at least 2017 was concluded with the actor Elyas M'Barek.

One million maker in theatrical distribution – The declining development of the German theatrical market in 2016 was also reflected in viewer figures for the Constantin Film titles. Since in spite of intensive prior market observations in the target groups the audiences taste is predictable only to a limited extent. This applies in particular to the two licensed films "BFG – Big Friendly Giant" and "The Light Between Oceans", whose viewer figures remained below expectations.

The most successful start to the year was the licensed film "Dirty Grandpa", which attracted 1.33 million viewers to theaters. This made "Dirty Grandpa" the only Constantin Film title with more than one million viewers; at least two films with over one million viewers were scheduled for 2016. The coproduction "Schweinskopf al dente" also achieved highly successful results, being seen by around 550,000 viewers although it was shown almost exclusively in Bavarian theaters.

Despite the lack of major cinema successes in Germany, the Constantin Film group was able to achieve seventh place in the 2016 distributors ranking in terms of both sales and viewers (previous year: both fourth place).

Source: comScore/Rentrak Evaluations of the theatrical market in Germany, all of 2016

Increasing market shares in Home Entertainment – In 2016, the Highlight Communications group achieved a market share of 3.25 percent without its distribution partners Paramount Home

Entertainment/Universal Home Entertainment in the German video sales market, and therefore increased its market position against the reference period's level in 2015 (2.83 percent). As predicted, this development was primarily driven by the very good sales figures of the Constantin Film in-house and co-productions "Fack Ju Göhte 2", "Look Who's Back" and "Ostwind 2".

Source: GfK Consumer Panel, Home Video transactional December 2016

Successful first broadcasts in TV exploitation – In TV exploitation and license trading, good ratings in free-TV were achieved once again in 2016, especially thanks to the first broadcasts of Constantin Film theatrical productions. The best audience response was achieved by the first part of "Fack Ju Göhte" (ProSieben, 18.2 percent market share), followed by "Winterkartoffelknödel" (ARD, 14.7 percent market share), "The Mortal Instruments" (ProSieben, 8.6 percent market share) as well as "The Famous Five 3" (SAT.1, 6.2 percent market share).

Source: GG Media TV Facts for the relevant broadcasting day (Audience: overall market)

"Terror – Ihr Urteil" – Florian David Fitz

High ratings in TV service productions – In addition to the 11th season of "Dahoam is Dahoam", which was able to build further upon its usual double-digit market shares, the broadcast of the ARD service production "Terror – Ihr Urteil" was highly successful. With a market share of 20.2 percent (overall market), the production reached the highest viewer figures of all ARD feature films in the year 2016. Very good ratings were also achieved by the episode "Schuldig" of the ZDF crime series "Kommissarin Lucas" with a market share of 18.9 percent, as well as the ZDF two-part series "Familie!" with an average market share of 16.5 percent.

Source: GG Media TV Facts for the relevant broadcasting day (Audience: overall market)

"Das Sacher. In bester Gesellschaft " – Josefine Preuß, Florian Stetter

2.3.7 Sector-specific general conditions in the Segment Sports- and Event-Marketing

In the past year, two trends became solid: a booming market for sports media rights in China and the increasing influence of Chinese investors and brands on European football. In November, for example, the video online platform PPTV, a company of the Chinese retail group Suning Commerce, acquired the broadcasting rights for the English Premier League in China. The license fee for the three-year contract amounts up to EUR 220 million per season.

In the area of sponsoring as well, Chinese investors are also showing increasing interest in European football clubs. Suning Commerce signed a multi-year sponsoring agreement with Inter Milan in December, which included naming rights for the training facility and official sponsorship for the training kit.

Sources: sportcal.com, "Premier League nets huge fee increase as PPTV wins Chinese rights", November 18, 2016; sportbusiness.com, "PPTV snaps up Premier League rights in China", November 17, 2016; bloomberg.com, "Premier League Said in $650 Million Deal With China's PPTV", November 18, 2016; sportbusiness.com, "Suning lands naming rights to Inter properties", December 21, 2016

UEFA Championss League Final 2016 – Winner Real Madrid CF

2.3.8 Operating performance in the Segment Sports- and Event-Marketing

Focus on preparation for the marketing of UEFA tournaments – For TEAM group, the 2016 financial year was characterized by intensive preparation for the marketing process for the commercial rights for the UEFA Champions League and the UEFA Europe League (each for the match periods 2018/19 to 2020/21), which enters the implementation phase during the current year. The majority of these preparations – for both sponsor and TV rights – consisted of discussions with existing and potential partners, which were concluded successfully. In addition, TEAM prepared specific recommendations for UEFA regarding the further development and implementation of the commercial concepts of both competitions in the match cycle to be marketed.

Successful handling of the finals – From the operational perspective, the focus was on actively supporting the commercial partners as well as the UEFA in the handling of the large final matches and the UEFA Super Cup. In the final of the UEFA Europa League, the teams Liverpool FC and Sevilla FC faced off against each other in Basel on May 18, 2016. On May 28, 2016 the Spanish-only UEFA Champions League final between Real Madrid CF and Club Atlético de Madrid took place in Milan. The match winners (Sevilla FC and Real Madrid CF) then met each other in the UEFA Super Cup in Trondheim on August 9, 2016.

2.3.9 Analysis of non-financial performance indicators in the Segment Sports- and Event-Marketing

Number of worldwide TV viewers for the Champions League final below the previous year – The final of the UEFA Champions League was once again broadcast in over 200 countries and watched by around 160 viewers, reaching a peak of around 380 million viewers. Global viewing figures were therefore below the record level of the previous year (around: 180 million on average and peak value of around 400 million). Viewing figures in Spain, however, rose significantly by 24 percent to 10.6 million, corresponding to a market share of 62.0 percent. The audience share in the UEFA Europa League final, which was broadcast live in over 100 countries, was around 50 million on average, reaching a peak of approximately 160 million viewers.

Sources: UEFA, TV Audience Report of May 28, 2016; UEFA, 2015/16 Europa League Final of May 18, 2016

UEFA Europa League Final 2016 – Winner Sevilla FC

2.4 Results of operations, net assets and financial position of the Constantin Medien Group

Constantin Medien AG prepares the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been supplemented by explanatory notes and by the Group management report.

The combined Group management report and management report of Constantin Medien AG has been prepared in accordance with § 315 HGB (German Commercial Code). It is based on the provisions and recommendations of German Accounting Standard No. 20 (DRS 20) by the German Accounting Standards Committee e.V.

2.4.1 Overall assessment of the reporting period

The Constantin Medien Group operates in a demanding market environment characterized by sustainable structural changes, which is characterized by intense competition especially in the Segments Sports and Film. Against this background, the Management Board considers that the Group's operating business in 2016 has been very pleasing. Profit from operations of the Constantin Medien Group clearly exceeded expectations overall. The fourth quarter of 2016 is particularly noteworthy in which both the Segment Sports and the Segment Film achieved the highest sales and the best profit from operations in a quarter since the full consolidation of Highlight Communications AG.

In the reporting year, the Group achieved sales of EUR 565.7 million, slightly above the forecast downward-adjusted in November 2016 ranging between EUR 522.0 million to EUR 562.0 million (originally: EUR 550.0 million to EUR 590.0 million). Compared to the previous year's sales of EUR 481.6 million, this corresponds to a growth of 17.5 percent. All operating segments increased sales against the previous year.

Profit from operations (EBIT) amounted to EUR 39.5 million in the reporting year, EUR 0.8 million slightly below the previous year's figure (2015: EUR 40.3 million) and clearly above the forecast of EUR 29.0 million to EUR 33.0 million. While the results in the Segments Sports as well as Sports- and Event-Marketing significantly increased compared to previous year, the result in the Segment Film was significantly below the previous year's level, particularly due to high amortizations on film assets.

The financial result in 2016 amounted to EUR -18.9 million after EUR -12.7 million in the previous year. It was significantly below expectations, among others, as a result of the sale of non-strategic investments, the impairment on the investment Geenee, Inc. as well as foreign currency exchange losses.

As a result, the Group's net profit as well as earnings attributable to shareholders were below the previous year's figures. The latter was nevertheless within the expectations. The Group's net result for the year amounted to EUR 14.4 million (2015: EUR 20.0 million). Earnings attributable to shareholders amounted to EUR 8.3 million (2015: EUR 12.4 million) and was within the upper range of the forecast from EUR 6.0 million to EUR 9.0 million. Earnings attributable to shareholders include losses from the sale of non-strategic investments and associated companies in the first quarter of 2016 of EUR 0.8 million.

2.4.2 Segment performance

Segment performance 2016 in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015	Change
Sales			
Sports	**160,711**	157,615	3,096
Film	**350,947**	272,307	78,640
Sports- and Event-Marketing	**53,801**	48,432	5,369
Other Business Activities	**210**	3,219	-3,009
Others	**0**	0	0
Total sales	**565,669**	481,573	84,096
Segment result			
Sports	**15,038**	13,371	1,667
Film	**9,014**	14,473	-5,459
Sports- and Event-Marketing	**21,338**	17,025	4,313
Other Business Activities	**1,215**	-1,317	2,532
Others	**-7,115**	-3,250	-3,865
Total segment result	**39,490**	40,302	-812

In the **Segment Sports**, SPORT1 significantly increased the advertising sales in the reporting year and overcompensated the expected decline in sales in the production services area. Overall, business development was very pleasing. Sales amounted to EUR 160.7 million, an increase of 2.0 percent compared to the previous year (2015: EUR 157.6 million). The market shares of SPORT1 in the target group aged 3+ (Z3+) in 2016 reached 0.9 percent and were on the previous year's level. In the core target group of males 14 to 49-years (M14-49), they remained at 1.5 percent, only slightly below the previous year's figure (1.6 percent), despite the UEFA EURO 2016™ and Summer Olympics. The cumulated access numbers in the online and mobile area as well as the video views also developed very positively. In addition, partnerships with existing advertising customers were expanded and new advertising customers were acquired in the reporting year. This led to a pleasing increase in advertising sales from the marketing of the free-TV channel and the digital platforms of SPORT1. Sales from the program distribution could also be increased.

Despite the year-round exploitation of the broadcasting rights of the UEFA Europa League, cost of materials and licenses disproportionately increased compared to sales.

In the area of production services, sales were below expectations and below the previous year, especially as new customer business could not be expanded to the extent as expected. The decline in sales as well as the burden resulting from a restructuring provision at PLAZAMEDIA GmbH was nearly offset by lower production costs and savings in personnel expenses.

As a result of the increase in segment sales and, at the same time, slightly higher segment expenses, the segment result in the reporting year improved by 11.9 percent to EUR 15.0 million. (2015: EUR 13.4 million), which clearly exceeded expectations.

In 2016 sales in the **Segment Film** increased by 28.9 percent to EUR 351.0 million after EUR 272.3 million in the previous year. TV exploitation/licensing business areas contributed to this significant sales growth with high revenues from pre-sales of the international theatrical and TV productions “Resident Evil: The Final Chapter” and “Shadowhunters”. In addition, the theatrical success of "Fack Ju Göhte 2" continued its success story in the Home Entertainment exploitation, where the film achieved excellent sales figures both in the physical and in the digital area. As expected, the theatrical distribution area, which had been marked by “Fack Ju Göhte 2” and “Look Who’s Back” in previous year, remained significantly below the previous year's level. In the 2016 financial year, with “Dirty Grandpa” only one title attracted more than one million attendances in the national theatrical distribution. However, a number of films were, in part, significantly below expectations (e.g. “BFG – Big Friend Giant” and “The Light Between Oceans”), which resulted in high impairments on these films.

The segment result declined significantly by EUR 5.5 million to EUR 9.0 million compared to the 2015 financial year (EUR 14.5 million). This resulted in particular from the exploitation-related amortization on film assets, which roughly tripled to EUR 160.1 million (2015: EUR 55.4 million).

The **Segment Sports- and Event-Marketing** achieved sales of EUR 53.8 million in 2016, an increase of 10.9 percent compared to the 2015 financial year (EUR 48.5 million). The increase resulted from higher agency commissions that the TEAM group was able to achieve as a result from the successful marketing of the UEFA club competitions (season 2015/16 to 2017/2018). The segment result improved disproportionately by 25.3 percent to EUR 21.3 million (2015: EUR 17.0 million).

The **Segment Other Business Activities** was discontinued in the first quarter of 2016 by resolution of the Board of Directors of Highlight Communications AG. In this context, the investments Highlight Event and Entertainment AG and Pokermania GmbH were sold. Accordingly, the segment information includes the period from January 1 to March 31, 2016 as well as the deconsolidation profit. Sales and segment result are therefore not comparable to the previous year. The positive segment result of EUR 1.2 million is attributable to the profit from the sale of Highlight Event and Entertainment AG and Pokermania GmbH.

The result of the **Others** division amounted to EUR -7.1 million (2015: EUR -3.3 million) and thus approximately in line with expectations, but significantly lower than in the previous year, which was characterized by a non-recurring profit of EUR 3.3 million from the reversal of the provision for the so-called judicial review proceeding (Spruchverfahren). In 2016 legal and consulting costs for the dispute with Stella Finanz AG burdened the operating result.

2.4.3 Sales and earnings performance of the Constantin Medien Group

The Group's net result for the year amounted to EUR 14.4 million after EUR 20.0 million in the previous year. Earnings attributable to shareholders included therein amounted to EUR 8.3 million (2015: EUR 12.4 million) and was at the upper end of expectations. Earnings per share, both basic and diluted, stood at EUR 0.09 (2015: EUR 0.14 per share). Earnings attributable to non-controlling interest declined to EUR 6.1 million (2015: EUR 7.6 million).

The earnings performance of the Constantin Medien Group was mainly characterized by the following factors: The sharp increase in total output (sales plus the capitalized film production costs and other own work capitalized) by EUR +127.6 million, significantly higher amortization and impairment on film assets (EUR +102.9 million) as well as higher cost of materials and licenses (EUR +28.7 million) and by a EUR -6.2 million lower financial result.

In addition to the development of sales as described in chapter 2.4.2, the following developments should be emphasized:

The line item capitalized film production costs and other own work capitalized significantly increased to EUR 111.6 million compared to EUR 68.2 million. The increase reflects the higher production volume in the Segment Film. The balance mainly consists of capitalized production costs for "Resident Evil: The Final Chapter", "Shadowhunters" (Season 1 and 2) and "Jim Knopf".

Due to the significant increase in the number of productions in the reporting year cost of materials and licenses amounted to EUR 265.5 million, 12.1 percent above the previous year's figure (2015: EUR 236.8 million).

The personnel expense decreased by 3.8 percent to EUR 143.6 million (2015: EUR 149.6 million), mainly due to the lower average number of employees. Thereby, in particular the expenses for employees for productions in the Segment Film decreased.

In 2016, depreciation, amortization and impairment amounted to EUR 176.1 million, an increase of 140.9 percent against the previous year's amount (EUR 73.1 million). Amortization and impairment on film assets increased exploitation-related to EUR 167.8 million after EUR 64.9 million in the same period of the previous year. Depreciations, amortizations and impairments on intangible assets and property, plant and equipment remained virtually unchanged at EUR 8.3 million (2015: EUR 8.2 million). Depreciations, amortizations and impairments include impairments of EUR 8.9 million (2015: EUR 9.6 million), which were primarily attributable to the Segment Film.

The financial result deteriorated by EUR 6.2 million to EUR -18.9 million (2015: EUR -12.7 million), particularly as a result of the following non-recurring effects: the full impairment on the 10-percent interest in Geenee, Inc. impacted the financial result with EUR 2.5 million and furthermore, the impairment charges on a receivable of EUR 1.9 million from the sale of Kuuluu Interactive Entertainment AG in the first quarter of 2016. Also, a negative currency result (EUR -3.6 million) had an impact.

2.4.4 Net assets position of the Constantin Medien Group

Consolidated balance sheet (abbreviated version) as of December 31, 2016 in EUR '000

	12/31/2016	12/31/2015	Change
Non-current assets	**212,022**	295,484	-83,462
Current assets	**257,471**	244,694	12,777
Total assets	**469,493**	540,178	-70,685

The change in the Group's net assets position in 2016 was characterized by the sharp decline in non-current assets and the increase in current assets.

The decline in non-current assets (EUR -83.5 million) was mainly attributable to the reduction in film assets by EUR 67.0 million to EUR 118.7 million (December 31, 2015: EUR 185.7 million) as the amortization of films being in exploitation significantly exceeded the capitalized production costs in the reporting period. The reduction in other financial assets is mainly attributable to the impairment on Geenee, Inc. (EUR 2.5 million) and the sale of Pulse Evolution Corporation (EUR 1.6 million). The disposal of receivables from associated companies resulted from an impairment of receivables due from Kuuluu Interactive Entertainment AG (EUR 1.9 million) as well as from the sale of the associated companies Paperflakes AG and Holotrack AG (EUR 3.3 million). The disposal of a property held as an investment property (EUR 3.0 million) was due to the sale of Highlight Event and Entertainment AG.

Current assets increased by EUR 12.8 million to EUR 257.5 million (December 31, 2015: EUR 244.7 million) as of December 31, 2016, mainly due to the increase in trade accounts receivable and other receivables. The increase resulted in particular from a short-term loan from Highlight Communications AG to the Swiss company Stella Finanz AG (EUR +26.5 million), which has acquired treasury shares from Highlight Communications AG. This loan is due for repayment as of June 30, 2017. The increase in receivables from co-producers (EUR +6.6 million) in the Segment Film has also contributed to this increase. An opposite effect had the decrease in cash and cash equivalents by EUR 17.6 million to EUR 104.8 million, among others, due to the repayment of bank loans for film projects.

2.4.5 Financial position of the Constantin Medien Group

Consolidated balance sheet (abbreviated version) as of December 31, 2016 in EUR '000

	12/31/2016	12/31/2015	Change
Equity attributable to the shareholders	**43,800**	20,746	23,054
Non-controlling interests	**54,314**	36,846	17,468
Total equity	**98,114**	57,592	40,522
Non-current liabilities	**104,495**	170,930	-66,435
Current liabilities	**266,884**	311,656	-44,772
Total equity and liabilities	**469,493**	540,178	-70,685

In addition to equity, borrowed capital is also used for the Group's financing. Constantin Medien AG's equity management encompasses all the balance sheet items of equity, whereby the treasury stock held are to be deducted. As part of the Group control, Constantin Medien AG also monitors all items of the borrowed capital in the Segment Sports and in the Others division. The borrowings of the subsidiaries of Highlight Communications group are managed on a decentralized basis by Highlight Communications AG and Constantin Film AG.

The Group is exposed to various financial risks arising from operating activities and financing activities. The financial risks can be divided into the categories liquidity risks, credit risks and market risks (including currency risks, interest rate risks and price risks). These risks are centrally reviewed within the Constantin Medien Group. The risk situation is recorded by the risk manager using a standardized risk profile and is reported to the Management Board of Constantin Medien AG on the basis of a risk management guideline applicable to the entire Group. The Group uses derivative and non-derivative financial instruments to hedge currency risks. For further information about the financial risks of the Group, reference is made to the notes to the consolidated financial statements, note 8, disclosures regarding financial risk management and the risk presentation and in the combined Group management and management report, chapter 7.2.8 of this Annual Report.

The Constantin Medien Group's equity as of December 31, 2016 increased to EUR 98.1 million (December 31, 2015: EUR 57.6 million). Equity attributable to shareholders has increased by EUR 23.1 million to EUR 43.8 million. On the one hand, the equity attributable to shareholders increased earnings-related (+ EUR 8.3 million). On the other hand, an increase of EUR 10.0 million was due to the sale of 7.4 million Constantin Medien shares by Highlight Communications AG in April 2016. The equity of non-controlling interests increased by EUR 17.5 million to EUR 54.3 million, whereof EUR 8.7 million was attributable to the sale of Highlight Communications shares by Highlight Communications AG, and EUR 6.1 million was earnings-related.

The equity ratio (total equity divided by the total assets) almost doubled to 20.9 percent as of December 31, 2016 (December 31, 2015: 10.7 percent). The significantly higher equity ratio is due to the reduction in the balance sheet total (EUR -70.7 million) as well as the increase in equity (EUR +40.5 million). The decline in the balance sheet total as of December 31, 2016 was essentially caused by the lower film assets and the reduction of current and non-current liabilities on the liabilities side. The adjusted equity ratio (after netting advance payments received against film assets and film-related cash and cash equivalents with the corresponding financial liabilities) improved to 22.0 percent (December 31, 2015: 11.8 percent).

The Constantin Medien Group's borrowed capitals essentially consist of a corporate bond, various short-term loan facilities to finance the activities of the Segment Film, a current loan facility agreement of Highlight Communications AG, a loan from Stella Finanz AG as well as an undrawn loan from UniCredit Bank AG to Constantin Medien AG.

The reduction of non-current liabilities by EUR 66.4 million to EUR 104.5 million (December 31, 2015: EUR 170.9 million) is mainly attributable to the reclassification of the loan terminated in the reporting year due to Stella Finanz AG (EUR -36.2 million) and the reduction in advance payments received from the UEFA (EUR -28.9 million). Furthermore, pension liabilities decreased by EUR -3.9 million, among others, as with the sale of Highlight Event and Entertainment AG the corresponding entitled persons are no longer part of the consolidated companies of Constantin Medien Group.

Current liabilities decreased by EUR 44.8 million to EUR 266.9 million (December 31, 2015: EUR 311.7 million). Financial liabilities declined by EUR 47.6 million to EUR 48.7 million, mainly due to the net repayment of loans for the financing of film productions. Advance payments received decreased by EUR 20.8 million to EUR 47.3 million at the end of December 2016, mainly as a result of consumption in the Segment Film. The increase in trade accounts payable and other liabilities increased by EUR 21.9 million to EUR 154.7 million had an opposite effect, mainly due to the reclassification of the terminated loan to Stella Finanz AG (see also chapter 7.2.5 risks and opportunities report)

There were no off-balance-sheet financing instruments as of December 31, 2016 or as of the prior year's balance sheet date. There were guarantees to third parties for the completion of TV-service productions of EUR 9.0 million (December 31, 2015: EUR 14.6 million) although a drawdown is not expected. The Constantin Medien Group also uses operating leases, mainly for offices, storage rooms, office equipment and vehicles. As in the previous year, the total amount has no material impact on the economic position of the Group.

2.4.6 Liquidity development of the Constantin Medien Group

2.4.6.1 Cash flow of the Constantin Medien Group

The Constantin Medien Group reported a cash flow from operating activities of EUR 127.2 million in the reporting year (2015: EUR 169.0 million). The decrease is primarily due to the change in operating net working capital.

In 2016, a cash outflow of EUR 109.2 million resulted from investing activities (2015: cash outflow of EUR 121.5 million). As in the previous year this was mainly attributable to investments in new film projects and reflected the corresponding production volume. In addition, as part of the portfolio adjustments the net cash outflow from disposals of subsidiaries (EUR -7.0 million) was offset by a cash inflow from disposals of financial assets (EUR +1.5 million).

The Group's financing activities led to a cash outflow of EUR 36.2 million (2015: cash outflow of EUR 2.4 million). The cash outflow from the net repayment (balance of repayment and loans taken up) of short-term loans of EUR 47.8 million (2015: net cash inflow of EUR 24.0 million) faced a cash inflow of EUR 14.8 million from the sale of Constantin Medien AG's shares by Highlight Communications AG.

In total a cash outflow of EUR 18.2 million (2015: cash inflow of EUR 45.1 million) resulted in 2016. Cash and cash equivalents as of December 31, 2016 after taking into account the effects from foreign currency exchange gains and losses (EUR +0.6 million) stood at EUR 104.8 million (December 31, 2015: EUR 122.4 million). At the balance sheet date no cash and cash equivalents have been pledged as collateral for guarantees (December 31, 2015: EUR 0 million).

2.4.6.2 Liquidity position and management of the Constantin Medien Group

The Group companies Highlight Communications AG and Constantin Film AG independently manage their liquidity. Liquidity management for the Segment Sports is controlled by Constantin Medien AG in coordination with the operative companies. Constantin Medien AG acts as a financial coordinator for the companies of the Segment Sports to ensure the most cost-efficient and always sufficient coverage of the financial requirements for the operating business and investments. This is based on a liquidity planning with deviation analysis as well as primarily the net debt. In addition, the Constantin Medien Group's liquidity status is regularly reviewed.

The net debt of the Constantin Medien Group as of December 31, 2016 was as follows:

Net debt as of December 31, 2016 in EUR '000

	12/31/2016	12/31/2015	Change
Cash and cash equivalents	**104,830**	122,445	-17,615
Current financial liabilities	**48,750**	96,333	-47,583
Non-current financial liabilities	**63,466**	98,702	-35,236
Net debt	**-7,386**	-72,590	65,204

The nebt debt as of the end of 2016 decreased by EUR 65.2 million or 89.8 percent to EUR 7.4 million compared to the year-end 2015. This decrease is due to the fact that the loan from Stella Finanz AG, which was terminated by Constantin Medien AG but has not yet been repaid, is no longer a financial liabil-ity but a current other liability. In addition, the net repayments of loans in the Segment Film overcompensated the decline in cash and cash equivalents.

As of December 31, 2016, the available credit lines of the Constantin Medien Group amounted to EUR 195.2 million (December 31, 2015: EUR 162.1 million).

The conservative liquidity management of the Group focuses on securing liquidity. As a matter of principle, the operating companies should be able to finance their liquidity requirements from the cash flow of their operating activities. In the case of major investments and acquisitions, additional financing measures are coordinated with the Group parent company.

2.4.6.3 Investments of the Constantin Medien Group

In the year 2016, the additions to intangible assets and property, plant and equipment of the Group amounted to EUR 107.7 million (2015: EUR 123.6 million). Thereof, EUR 100.8 million (2015: EUR 117.3 million) were attributable to film assets. In the Segment Sports investments in technical equipment and machinery as well as purchased intangible assets in total amounted to EUR 5.1 million (2015: EUR 3.0 million). Other investments of EUR 1.8 million (2015: EUR 3.3 million) are spread across all segments, and mainly related to internally generated intangible assets as well as operating and office equipment.

2.5 Results of operations, net assets and financial positions of Constantin Medien AG

The management report and the Group management report of Constantin Medien AG for the 2016 financial year were combined in accordance with § 315 para. 3 HGB (German Commercial Code) in conjunction with § 298 para. 2 HGB. Constantin Medien AG is the parent company of the Constantin Medien Group, based in Ismaning. As the controlling holding company with the departments Finance, Accounting, Controlling, Internal Audit, Communications, Investor Relations, IT, Human Resources and Legal, Constantin Medien AG provides intercompany services. In addition, there was a tax group for income tax purposes with the major companies of the Segment Sports in the reporting period.

The annual financial statements of Constantin Medien AG have been prepared in accordance with the regulations of the German Commercial Code (HGB) as amended by the German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG) for large corporations, with corresponding application of § 267 para. 3 HGB and the supplementary provisions of §§ 150 et seq. of the German Stock Companies Act (AktG). The previous year's sales figures are not comparable due to the changes of § 277 para. 1 HGB implemented by the BilRUG. In order to achieve a comparability, the Company has decided to adjust sales in the previous year column of the profit and loss account as if the changes of § 277 para. 1 HGB had already been applied in the previous year.

The economic conditions of Constantin Medien AG essentially correspond to the economic conditions of the Group, as described in chapter 2.3.

2.5.1 Sales and earnings performance of Constantin Medien AG

Income Statement (abbreviated version) from January 1 to December 31, 2016 in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015*	Change
Sales	**4,262**	3,694	568
Other operating income	**2,477**	7,929	-5,452
Cost of materials	**-1,545**	-1,608	63
Personnel expenses	**-5,963**	-6,585	622
Depreciation and amortization	**-156**	-135	-21
Other operating expenses	**-6,680**	-7,030	350
Operating result	**-7,605**	-3,735	-3,870
Financial result	**5,365**	11,040	-5,675
Income taxes	**178**	-845	1,023
Result after taxes	**-2,062**	6,460	-8,522
Other taxes	**-2**	-2	0
Net loss/profit	**-2,064**	6,458	-8,522

* Previous year figures adjusted due to the revised version § 277 Abs. 1 HGB by BilRUG

The net result 2016 of Constantin Medien AG remained below expectations, as Highlight Communications AG against its past dividend policy did not made a payout in the reporting year and the legal costs significantly rose in the reporting year. In addition, the previous year's net result was characterized by income from the reversal of a provision for litigation. These factors resulted in a net loss of EUR 2.1 million after a net profit of EUR 6.5 million in the previous year.

Sales of the holding amounted to EUR 4.3 million, an increase of EUR 0.6 million against the previous year (2015: EUR 3.7 million). Sales include income from intercompany administration and management services. The increase in sales was accompanied by higher cost allocations, mainly as a result of increased intercompany services.

Constantin Medien AG's net result was mainly impacted by the development of sales, other operating income, personnel expenses, legal costs and the financial result.

Other operating income amounted to EUR 2.5 million, a substantial decrease of EUR 5.4 million compared to the previous year (2015: EUR 7.9 million). This was primarily due to, among others, income from the reversal of provisions (EUR -1.5 million), foreign currency exchange gains (EUR -2.3 million) and cash receipt on written-down receivables (EUR -1.6 million).
Personnel expenses decreased by EUR 0.6 million from EUR 6.6 million to EUR 6.0 million, particularly as a result of lower expenses in connection with the resignation of Management Board Members.

In addition, other operating expenses decreased by EUR 0.3 million to EUR 6.7 million (2015: EUR 7.0 million), in particular due to lower foreign currency exchange losses (EUR -2.7 million).

There was an opposite effect of EUR 2.4 million due to the increase in legal, judicial and advisory costs, in particular for the legal disputes with Stella Finanz AG on the repayment of the loan and the issuance of the 24.75 million Highlight Communications shares pledged as collateral as well as in connection with the actions for annulment and nullity suits concerning the Annual General Meeting of Constantin Medien AG from November 9/10, 2016.

The financial result amounted to EUR 5.4 million in the reporting year after EUR 11.0 million in 2015. The decline was mainly due to the elimination of income from investments (dividend of Highlight Communications AG of EUR 4.7 million) and higher expenses for derivative financial instruments of EUR 0.5 million. The subsidiary Constantin Sport Holding GmbH transferred EUR 12.9 million to Constantin Medien AG (2015: EUR 12.6 million) on the basis of the profit and loss transfer agreement.

The improvement in the tax result by EUR 1.0 million to EUR 0.2 million (2015: EUR -0.8 million) is mainly due to the change in deferred taxes.

2.5.2 Net assets and financial positions of Constantin Medien AG

Balance Sheet (abbreviated version) as of December 31, 2016 in EUR '000

	12/31/2016	12/31/2015	Change
Property, plant and equipment and intangible assets	**289**	412	-123
Financial assets	**200,965**	200,965	0
Fixed assets	**201,254**	201,377	-123
Receivables and other assets	**10,923**	9,715	1,208
Other securities	**1,015**	1,049	-34
Cash on hand and bank balances	**2,117**	3,344	-1,227
Current assets	**14,055**	14,108	-53
Prepaid expenses and deferred tax assets	**3,231**	2,970	261
Total assets	**218,540**	218,455	85
Equity	**104,194**	106,258	-2,064
Accruals	**4,820**	6,903	-2,083
Liabilities	**109,526**	105,294	4,232
Total equity and liabilities	**218,540**	218,455	85

On the asset side of the Company's balance sheet, there were no significant changes of both fixed assets and current assets compared to the previous year. In current assets, the decline in cash and cash equivalents by EUR 1.2 million was compensated to the same extent by the increase in receivables from affiliated companies.

On the liabilities side of the balance sheet, the Company reported equity of EUR 104.4 million as of December 31, 2016 (December 31, 2015: EUR 106.3 million). The equity ratio decreased by 0.9 percentage points to 47.7 percent as of December 31, 2016 (December 31, 2015: 48.6 percent) as a result of the net loss.

The liabilities increased to EUR 109.5 million as of December 31, 2016 after EUR 105.3 million as of December 31, 2015, mainly due to the increase in liabilities to affiliated companies. Provisions decreased by EUR 2.1 million to EUR 4.8 million as of the balance sheet date (December 31, 2015: EUR 6.9 million), as consumption and reversals overcompensated the additions to provisions.

2.5.3 Liquidity position of Constantin Medien AG

Constantin Medien AG reported liquid funds (excluding securities reported under current assets) of EUR 2.1 million in the annual financial statements as of December 31, 2016 (December 31, 2015: EUR 3.3 million).

Including liquid funds, the working capital of Constantin Medien AG decreased to EUR -34.9 million at the balance sheet date compared to EUR 3.5 million at the previous year's balance sheet date. The significant reduction in working capital by EUR 38.4 million is primarily due to the reclassification of the loan from Stella Finanz AG (EUR 37.9 million) from non-current to current liabilities.

The calculation of the working capital of Constantin Medien AG results from the following table:

Working Capital as of December 31, 2016 in EUR '000

	12/31/2016	12/31/2015	Change
Current assets	**14,055**	14,108	-53
Current accruals	**-4,425**	-6,803	2,378
Current portion of bonds	**-3,154**	-3,145	-9
Current portion of trade accounts payable	**-653**	-350	-303
Current portion of liabilities to affiliated companies	**-2,697**	-86	-2,611
Current portion of other liabilities	**-38,022**	-181	-37,841
Working capital	**-34,896**	3,543	-38,439
Liquid funds	**2,117**	3,344	-1,227

As at December 31, 2016, Constantin Medien AG had an unused bank guarantee credit line of EUR 3.3 million (December 31, 2015: EUR 12.8 million). There was also a special purpose loan agreement with UniCredit Bank AG as at December 31, 2016 in the amount of EUR 36.0 million to repay the Stella Finanz AG loan. It included special termination rights of the Bank, among others in the event of a change of control at Constantin Medien AG. The loan agreement allowed the Stella Finanz AG loan to be repaid at any time up until June 30, 2017. On June 2, 2017, Constantin Medien AG concluded a new loan agreement with UniCredit Bank AG and cancelled the existing agreement. The new loan agreement has a maturity until September 30, 2017 and, as the original agreement, includes special termination rights of the Bank, among others in the event of a change of control at Constantin Medien AG.

In addition to external financing sources, the financial strength of Constantin Medien AG is impacted by profit and loss transfers and dividends of subsidiaries.

2.5.4 Investments of Constantin Medien AG

There were no significant investments in the reporting year.

3. Personnel Report

At closing day December 31, 2016, the Constantin Medien Group had a total of 1,391 employees including freelance employees (December 31, 2015: 1,632 employees). This corresponds to a decrease by 14.8 percent by closing date comparison. Group-wide the number of salaried employees as of December 31, 2016, decreased by 17.7 percent to 1,067 employees (December 31, 2015: 1,297 people).

The average number of salaried and freelance employees at the Constantin Medien Group over the year declined to 1,558 employees, which was 12.0 percent below the previous year (2015: 1,771 employees), which also resulted in lower personnel expenses. At 1,142 employees, the number of permanent employees on annual average was 12.5 percent below the value for 2015 (1,305 employees) above all due to a reduction in the Segment Film. The number of average project-related employees decreased by 10.7 percent to 416 (2015: 466 employees), particularly due to a decline in the Segment Film and the production subsidiary PLAZAMEDIA GmbH.

The headcount of Constantin Medien AG stood at 27 employees as of December 31, 2016 (December 31, 2015: 32 employees). The annual average number of employees at the Constantin Medien AG amounted to 30 employees (2015: 31 employees).

Professionalism, customer focus and a high degree of commitment are key qualifications and essential features for the level of performance of a company in terms of competitiveness and economic success, not only for external customer relations but also as part of internal co-operation. The employees of Constantin Medien AG are working very professional and are handling challenges with creativity and passion. Constantin Medien AG promotes innovative ideas and individual initiative, to develop value-adding and sustainable solutions as well as services for our customers.

4. Declaration of Corporate Governance pursuant to § 289a HGB

With regard to the declaration of compliance that includes disclosures about corporate management practices as well as a description of working procedures of the Management Board and the Supervisory Board, as well as the composition and working procedures of Committees, reference is made to the chapter Declaration on Corporate Governance pursuant to § 289a HGB of this report and to our website: www.constantin-medien.de/Investor Relations/Declaration of Corporate Governance pursuant to § 289a HGB (German Commercial Code).

The Management Board and the Supervisory Board of Constantin Medien AG determined in their resolutions that the proportion of women on the Supervisory Board, the Management Board and at the two management levels below the Management Board should be maintained for the period up to June 30, 2017. Constantin Medien AG is a holding company and in 2016 employed an annual average of 30 employees. The Management Board decided to base the definition of the two management levels below the Management Board on the reporting levels. The proportion of women is currently as follows: Supervisory Board approx. 17 percent, Management Board 0 percent, first management level below the Management Board approx. 17 percent and second management level below the Management Board 0 percent.

5. Remuneration Report

The remuneration report contains the individualized remuneration split by components for the Management Board and the Supervisory Board of Constantin Medien AG. Furthermore, it describes the principles of the variable remuneration system of the Management Board of Constantin Medien AG.

Remuneration principles of the Management Board

The remuneration of the Management Board Members aims at offering an incentive for successful, sustainability-based corporate governance. As a result, the remuneration of each Management Board Member at first includes a fixed component. In addition to the aforementioned fixed component, the Supervisory Board may grant each Management Board Member performance-related, variable components.

The fixed remuneration is paid monthly as a salary. The monetary benefit of the car, if applicable, made available to Management Board Members for business and personal use is shown together with the fixed remuneration.

A variable remuneration component can be set each year, among others, according to the equitable, obligatory discretion of the Supervisory Board. Here, criteria impacting the decision are (i) the economic result of the relevant expired financial year as well as in the two preceding financial years and (ii) the operating performance of the respective Board Member in the concerned three financial years. This remuneration component is contractually limited to 50 percent of the fixed remuneration.

The variable remuneration component of the Board Member Mr Fred Kogel, in addition to the above-mentioned, consists of contractual payment claims from stock appreciation rights. The stock appreciation rights relate to shares of Constantin Medien AG and Highlight Communications AG and are staggered as follows:

Shares Constantin Medien AG

	Quantity	Issue price
	333,334	EUR 1.80
	333,333	EUR 2.10
	333,333	EUR 2.50

Shares Highlight Communications AG

	Quantity	Issue price
	500,000	EUR 5.00

The stock appreciation rights place the Management Board Member Mr Fred Kogel under the law of obligations as if he would actually own the options to the shares of the aforementioned companies by being entitled to a payment of the difference between the respective issuance price and the exercise price. The exercise price is the average stock price of the respective shares quoted by the daily closing auction of the XETRA trading over a period of three months before the exercise date. The stock appreciation rights cannot be exercised before the 15th day of each calendar month after a waiting period of three years, which begins on October 1, 2014. After the expiry of this waiting period, the stock appreciation rights can be exercised within a period of two years. Constantin Medien AG reserves the right, instead of paying the aforementioned difference amounts, which relates to the Constantin Medien shares, to deliver a number of bearer shares of Constantin Medien AG which correspond to the respective difference amount, valued according to the closing rate of XETRA trading of Frankfurt Stock Exchange on the last trading day before the respective exercise date. The stock appreciation rights are not transferable. The variable remuneration of the Board Member Mr Fred Kogel, consisting of the abovementioned variable remuneration component and stock appreciation rights, is contractually limited to a maximum amount of 50 percent of the annual fixed remuneration.

Other payments include the remuneration of the Management Board Members for performing their tasks on the Management Board, Supervisory Board and/or Board of Directors of subsidiaries or second-tier subsidiaries.

The employment contracts of the Management Board Members also contain a so-called severance payment cap in the event that the relevant contract prematurely ends without good cause. The contracts of the Management Board Members Mr Fred Kogel and Dr Peter Braunhofer provide for a special right of termination if the composition of the Supervisory Board would substantially change as a consequence of a change of control at Constantin Medien AG.

The Management Board Members received neither loans nor advancements from Constantin Medien AG. Constantin Medien AG did not enter any contingent liabilities for the benefit of Management Board Members.

Remuneration of the Management Board Members for the 2016 financial year

Total remuneration paid to the Management Board Members for the reporting year amount to EUR 2,454,802 (prior year: EUR 2,245,496).

Remuneration of the Management Board

Inflow in 2016 in EUR

	Fixed remuneration	Fringe benefits	Multiyear variable remuneration	Other payments	**Total remuneration**
Fred Kogel	700,000	0	0	376,257	**1,076,257**
Olaf G. Schröder	500,000	15,914	0	57,500	**573,414**
Dr Peter Braunhofer (since December 21, 2016)	0	0	0	0	**0**
Leif Arne Anders (March 1, 2016 until December 21, 2016)	333,333	10,220	0	140,000	**483,553**
Hanns Beese (until February 29, 2016)	50,000	0	0	97,075	**147,075**

Other payments to Mr Fred Kogel relate to his activities performed as Chief Officer TV, Human Resources, Process Management and Integration of Constantin Film AG (until July 31, 2016). Furthermore, in connection with his contractual payment claims from stock appreciation rights EUR 233,113 (Prior year: EUR 250,829) are entitled to Mr Fred Kogel for the 2016 financial year. Additionally, for Mr Kogel a provision for the multi-year variable remuneration was set up amounting to EUR 175,000.

In the reporting period, for Mr Olaf G. Schröder a provision for the multi-year variable remuneration was set up amounting to EUR 125,000. The other payments to Mr Olaf G. Schröder and Mr Leif Arne Anders relate to their activities performed as Managing Directors at Sport1 GmbH in the year 2015.

Effective on December 21, 2016 Mr Leif Arne Anders prematurely stepped down from the Management Board for health reasons. Dated February 13, 2017, it was agreed that the employment contract of Mr Leif Arne Anders will end as of June 30, 2017. Mr Leif Arne Anders will receive a waiting allowance of EUR 200,000. In addition, Mr Leif Arne Anders can use the car made available by the Company until May 31, 2017. Furthermore, a provision for an appreciation bonus of EUR 100,000 was set up.

Proportionate remunerations of EUR 12,222 are entitled to Dr Peter Braunhofer for the 2016 financial year. The inflow will be carried out in the year 2017.

The other payments to Mr Hanns Beese relate to his activities performed as Chief Financial Officer of Constantin Film AG for the period of his Management Board mandate at Constantin Medien AG.

In the 2016 reporting year, the former Board Member Mr Antonio Arrigoni in total received EUR 1,600,000 as compensation and indemnity for the premature termination of his employment relationship.

Inflow in 2015 in EUR

	Fixed remuneration	Fringe benefits	Multiyear variable remuneration	Other payments	**Total remuneration**
Bernhard Burgener (until December 31, 2015)	405,000	0	0	1,323,030	**1,728,030**
Fred Kogel	700,000	0	0	215,000	**915,000**
Hanns Beese (since March 24, 2015)	225,000	0	0	441,862	**666,862**
Antonio Arrigoni (until June 10, 2015)	400,000	9,667	400,000	0	**809,667**

Remuneration principles of the Supervisory Board

The remuneration of the Supervisory Board Members is regulated in § 12 of the Articles of Association of Constantin Medien AG. In addition to reimbursement of their expenses, the Members of the Supervisory Board also receive a fixed and a variable remuneration.

The fixed annual remuneration for a Supervisory Board Member is EUR 20,000, EUR 30,000 for the Deputy Chairman of the Supervisory Board and EUR 60,000 for the Chairman of the Supervisory Board. For each membership in Committees, Supervisory Board Members receive an additional fixed remuneration. The fixed annual remuneration amounts to EUR 5,000 for a Member of a Committee and EUR 10,000 for the Chairman of a Committee.

The variable remuneration is focused on the long-term success of the Company and becomes due if the relevant Supervisory Board Member has been a Member of the Supervisory Board for three full financial years and Group earnings per share over the period of three years increased by an average of at least 15 percent p.a.

Remuneration is paid on a pro rata basis for resignation from or entry into the Supervisory Board during the year.

The Supervisory Board Members received neither loans nor advancements from Constantin Medien AG. Constantin Medien AG did not enter any contingent liabilities for the benefit of the Members of the Supervisory Board.

Remuneration of the Supervisory Board Members for the 2016 financial year

Total remuneration of the Supervisory Board Members for the reporting year amounted to EUR 299,435 (prior year: EUR 330,733).

The other payments to Dr Dieter Hahn relate to his activities performed on the Board of Directors of Highlight Communications AG (until December 30, 2016) and on the Supervisory Board of Constantin Film AG (until October 28, 2016).

As in the previous year, subscription rights, stock-based remuneration and option rights that give entitlement to the subscription of Constantin Medien AG shares did not arise for Supervisory Board Members.

Remuneration of the Supervisory Board

Inflow in 2016 in EUR

	Fixed remuneration	Multiyear variable remuneration	Other payments	**Total**
Dr Dieter Hahn (Chairman)	75,000	29,247	37,064	**141,311**
Dr Bernd Kuhn (Deputy Chairman) (until July 18, 2016)	21,858	18,562	0	**40,420**
Andrea Laub (Deputy Chairwoman) (since September 19, 2016)	35,683	0	0	**35,683**
Stefan Collorio (since February 11, 2016)	22,076	0	0	**22,076**
Jean-Baptiste Felten	20,000	0	0	**20,000**
Jörn Arne Rees (since November 10, 2016)	2,786	0	0	**2,786**
Jan P. Weidner	22,159	15,000	0	**37,159**

Inflow in 2015 in EUR

	Fixed remuneration	Multiyear variable remuneration	Other payments	**Total**
Dr Dieter Hahn (Chairman)	75,000	0	70,106	**145,106**
Dr Bernd Kuhn (Deputy Chairman)	40,000	0	0	**40,000**
Jan P. Weidner	27,397	0	0	**27,397**
Andrea Laub	27,603	0	0	**27,603**
René Camenzind (until December 31, 2015)	20,000	0	50,627	**70,627**
Jean-Baptiste Felten	20,000	0	0	**20,000**

For further information on the Management and Supervisory Boards reference ist made to the chapter Boards (page 6), to the Declaration of Corporate Governance (page 10) as well as to the notes to the consolidated financial statements (page 153 et seqq.).

6. Disclosures in accordance with §§ 289 para. 4 and 315 para. 4 of the German Commercial Code (HGB)

– The subscribed capital of Constantin Medien AG as of December 31, 2016 amounted to EUR 93,600,000 divided into 93,600,000 no-par shares.

– All no-par shares are common stock that particularly guarantee the right of participation in the General Meeting in accordance with § 118 para.1 of the German Stock Corporation Act (AktG), the right to information in accordance with § 131 AktG, the voting right in accordance with § 133 et seqq. AktG, the right to retained earnings in accordance with § 58 para. 4 AktG and the basic subscription right in the event of capital increases in accordance with § 186 para. 1 AktG.

– Constantin Medien AG has no voting rights arising from the 162 treasury shares held by Constantin Medien AG as of December 31, 2016. The Company is not aware of any agreements between shareholders regarding the restriction of voting rights.

– As of December 31, 2016, according to own statements, Dr Dieter Hahn directly and indirectly held 27,339,009 no-par shares which corresponds to 29.21 percent of the share capital and a just as high voting rights share based on shares outstanding (after deduction of treasury shares). Thereof Dr Dieter Hahn directly held 4,171,600 no-par shares (corresponding to a 4.46 percent voting rights share) as well as indirectly through KF 15 GmbH, Munich, and DHV GmbH, Munich, 23,167,409 no-par shares (corresponding to a voting rights share of 24.75 percent).

– According to own statements of Dr Dieter Hahn, KF 15 GmbH, Munich, directly held 16,923,648 no-par shares in Constantin Medien AG as of December 31, 2016. This equates to a share of approximately 18.08 percent of the share capital and a equivalent voting rights share based on shares outstanding (after deduction of treasury shares).

– On June 17, 2016, Constantin Medien AG received six voting rights notifications relating to a voting agreement between the notifiable persons according §§ 21, 22 WpHG listed below (“Members of voting rights pool”). These notifiable persons informed Constantin Medien AG that their voting rights shares in Constantin Medien AG exceeded the threshold of 25 percent of the voting rights on June 13, 2016, and on this day amounted to 29.21 percent (corresponding to 27,344,308 voting rights). On June 13, 2016, the voting rights shares of the members of the voting rights pool are as follows:

Voting rights shares – Members of the voting rights pool

Members of the voting rights pool	Voting rights share (in percent)	
	according to § 21 WpHG	according to § 22 WpHG
Bernhard Burgener	7.10	22.11
Martin Hellstern	0	29.21
Dr Paul Graf	0.56	28.66
René Camenzind	2.99	26.22
Dr René Eichenberger	0	29.21
Dorothea Kunz	0	29.21

In the preceding table in the column pursuant to § 22 WpHG each member of the voting rights pool is allocated the voting rights of the other members of the voting rights pool which the respective member does not hold himself. The entire voting rights pool holds 29.21 percent of the voting rights.

– On July 5, 2016, Mr Marcel Paul Signer informed Constantin Medien AG according to §§ 21 and 22 WpHG that his voting rights share in Constantin Medien AG have exceeded the thresholds of up to and including 25 percent of the voting rights on June 26, 2016, and on this day amounted to 29.28 percent (corresponding to 27,404,308 voting rights).

– Pursuant to the registration for the General Meeting of the Company on November 3, 2016, Highlight Event and Entertainment AG, Pratteln, Switzerland, directly held 12,778,000 no-par shares in Constantin Medien AG, which corresponds to around 13.65 percent of the share capital and a just as high voting rights share based on shares outstanding (after deduction of treasury shares).

– There are no shares with privilege rights conferring control powers.

– The Supervisory Board appoints Management Board Members in accordance with § 7 para. 1 of the Articles of Association of Constantin Medien AG in conjunction with § 84 para. 1 sentence 1 AktG for a maximum term of five years. It determines the number of Management Board Members in accordance with § 4 para. 1 in conjunction with § 7 para. 1 of the Articles of Association of Constantin Medien AG. According to § 4 para. 1 of the Articles of Association of Constantin Medien AG, the Management Board must consist of at least two members. In addition, the Supervisory Board in accordance with § 7 para. 1 of the Articles of Association of Constantin Medien AG is entitled to appoint a Chairman of the Management Board. According to § 84 para. 3 sentence 1 AktG, the Supervisory Board also has the right to revoke the appointment of a Management Board Member and the nomination of the Chairman of the Management Board, in the case of a good cause. In particular, such a good cause is defined by § 84 para. 3 sentence 2 AktG as the existence of a gross breach of duty, incapacity to carry out management duties or in case of a vote of no confidence by the General Meeting for reasons that are not clearly unjustified.

– According to § 179 para. 1 sentence 1 AktG each amendment to the Articles of Association requires a resolution by the General Meeting. According to § 179 para 2 AktG in conjunction with § 16 para. 2 of the Articles of Association of Constantin Medien AG – as far as legally required – resolutions affecting the Article of Associations require a simple majority of the share capital represented in the vote. According to § 179 para. 1 sentence 2 AktG in conjunction with § 7 para. 2 of the Articles of Association of Constantin Medien AG, the Supervisory Board is entitled to make amendments to the Articles of Association which only concerns the version of the Articles of Association.

– In accordance with § 76 para. 1 AktG, the Management Board manages the Constantin Medien AG on its own responsibility.

– In accordance with § 3 para. 7 of the Articles of Association of Constantin Medien AG, the Management Board, with the approval of the Supervisory Board, is entitled to raise the share capital within a period until June 10, 2020 by a total of up to EUR 45,000,000 by one or more issues of new bearer shares against cash or contributions in kind (authorized capital 2015). Generally, the shareholders must be granted a subscription right. Furthermore, with the approval of the Supervisory Board, the Management Board is authorized to exclude the subscription right under certain conditions as prescribed under § 3 para. 7 of the Articles of Association of Constantin Medien AG.

- Pursuant to the resolution passed by the Annual General Meeting of July 30, 2014, Constantin Medien AG was empowered to acquire treasury shares with a proportion of the share capital of up to EUR 9,360,000. The authorization became effective upon the expiry of the Annual General Meeting on July 30, 2014, and will continue to be effective until July 30, 2019. The authorization may be exercised in full or in part, on one or more occasions. The acquired shares, together with other treasury shares held by the Company or attributable to it under §§ 71a et seqq. AktG are not permitted to exceed 10 percent of the share capital at any time.

- Pursuant to the resolution passed by the Annual General Meeting of June 10, 2015, the share capital of Constantin Medien AG is conditionally increased by up to EUR 45,000,000 by issuing up to 45,000,000 new bearer shares (conditional capital 2015). The purpose of the conditional capital increase is to grant share rights to bearers or creditors of financial instruments (convertible bonds and/or bonds with warrants and/or convertible participation rights and/or warrant participation rights) to be issued up to June 10, 2020, by the Constantin Medien AG or by direct or indirect majority shareholdings of the Company. According to the conditions of the warrant or convertible bonds, or convertible participation conditions, the conditional capital 2015 is also used for issuing shares to bearers or creditors of convertible bonds or convertible participation rights with conversion obligations. The Management Board is authorized to determine the further details concerning the conditional capital increase.

- In accordance with § 4c of the bond conditions for the 7.0% corporate bond 2013/2018 issued by Constantin Medien AG in 2013, each bond holder, under certain conditions, is entitled to demand repayment or, at the issuer's choice, the full or partial purchase of the bonds, by the issuer (or a third party commissioned by it) at their nominal value. This is the case if a change of control occurs at Constantin Medien AG. Such a change of control occurs, if a third party (according to § 4c (ii) of these bond conditions) or third parties acting together (according to § 2 para. 5 of the Securities Acquisition and Takeover Act (WpÜG) become the legal or economic owner of more than 50 percent of the voting rights of Constantin Medien AG or if a merger takes place according to the conditions of § 4c (ii) of these bond conditions.

- There are no indemnity agreements with Management Board Members or employees in the event of a take-over bid for the Constantin Medien AG.

7. Risks and Opportunities Report

7.1 Risks and opportunities management system

Entrepreneurial actions and perception of opportunities is always associated with risks. An integrated, company-wide risk and opportunity management system (RMS) was implemented to protect the going concern of the Constantin Medien Group as well as to support the achievement of the corporate objectives.

7.2 Risk report

7.2.1 Risk management system

The RMS is defined in a policy. Constantin Medien AG applies the definition of the German Accounting Standard No. 20 Group Management Report by the German Accounting Standards Committee (DRSC). This defines risks (opportunities) as "potential future developments or events that could lead to a negative (positive) deviation from forecasts or objectives for the company". The RMS follows the basic principles of the enterprise risk management framework as developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The following objectives are being pursued:

- Creation of scope for action by early and systematic identification of opportunities and risks
- Increase of the response time through transparency and timely communication of opportunities and risks
- Support the Corporate Management in assessing the expected development of the Group with its key opportunities and risks
- Reduction of potential liability risks
- Raising the awareness of employees to a risk-conscious and independent self-regulation
- Secure the Company's going concern

The risk management system of the Constantin Medien Group comprises both risks and opportunities. In accordance with the decentralized Group structure, the operational responsibility in dealing with risks lies with the respective risk managers. Essentially, these are the Members of the Management Boards and Committees as well as the Managing Directors and the department heads of the individual subsidiaries. The factors underlying the risks and opportunities are recorded and assessed on a quarterly basis and approved by the risk managers. At Group level, the factors reported are unified and consolidated, if applicable. There is a direct reporting obligation for potential going concern risks. Furthermore reference is made to the risks and opportunities report of Highlight Communications AG.

The periodic report describes the cause and effect of the factors as well as potential early warning indicators and any planned measures or measures already taken. If a damage or measure is reasonably quantifiable, this value is determined and provided.

If quantification is not meaningful possible, the possible damage is verbally described and classified in the categories "immaterial", "limited", "high" or "severe". The same applies to the probability of occurrence with the expressions "improbable", "remote", "more than remote" and "probable".

The following risk levels result from the multiplication of the probability of occurrence and the degree of the damage:

- **Small risks**
  Small risks are immaterial for the Company, and no risk reduction measures need to be agreed.

- **Medium risks**
  Medium risks exist with a limited extent of damage and a medium probability of occurrence. There is no immediate need for action. Efficient and effective measures are sufficient to reduce medium-sized risks or to quickly cope with in the event of occurrence.

- **Substantial risks**
  Substantial risks have a greater degree and/or a greater probability of occurrence compared to medium risks. They should be reduced with appropriate controls or process optimization. If possible, the substantial gross exposure should be reduced to the medium or a small risk level by appropriate measures.

- **Major risks**
  Major risks possibly may endanger the going concern of an organizational unit or the Constantin Medien Group as a whole. Measures for the reductions of gross exposure should be initiated directly and immediately. The implementation of these measures is monitored by the Management. Major risks must be reported directly to the Management Board – irrespective of the regular cycle.

The possible gross damage, the probability of occurrence and the effect of the measures result in the net risk. For better classification, risks are divided into the categories risks from regulation, business and market risks, operating risks, financial risks, legal as well as compliance risks.

In particular, risks outside the sphere of influence of the Group and risks arising from legal regulation (e.g. a legal restriction on advertising for individual product groups) are often not actively controlled and avoided. Furthermore, risks with an extremely small or non-measurable probability of occurrence with at the same time possibly a large effect are not reliably recorded. This includes unexpected and unavoidable events (force majeure).

7.2.2 Information on individual risks

Individual risks and their risk factors as well as their consequences are presented as follows. The presentation is grouped according to the risk categories of the RMS. The presentation in the risk report is based on a higher degree of aggregation than in the RMS itself. Within a category, the risks are first mentioned, whose impact on the results of operation, net assets and financial position is ranked as the highest. Unless otherwise stated, the risks apply to all segments. If the risk classification does not make reference to the measures taken, it is classified as a gross exposure. If a risk factor might threaten the going concern of an essential organizational unit, reference is made thereto below. The same applies if a risk threatens the Group's going concern.

7.2.3 Risks from regulation

The business models of Constantin Medien Group are strongly dependent on legislation, jurisdiction and the regulatory interventions of the public administration

Regulatory interventions, changes to legislation or legal proceedings can have a negative impact on the cost or sales structure. They could result in customer restraint when booking the concerned advertising time or restrictions in license purchases. Sales already contracted or included in the planning from the sale of advertising time or the marketing of sports rights, could be lost in the short-term due to prohibitions or other restrictions. A drastic change in licensing practices in the Segment Film could have a negative impact on the business model itself. The following factors significantly influence this risk:

- In the Segment Sports, revenues from the sale of advertising time are planned with suppliers of products such as sports betting, online casinos or poker schools, which are highly regulated. By means of regulatory measures, e.g. concessions, prohibitions or other restrictions, the economic conditions of the suppliers of these products may deteriorate, which could have an indirect effect on the planned segment sales.

- In this context, possible administrative proceedings against the companies of the Segment Sports could also have a direct negative impact on revenue recognition in terms of advertising for these products and possibly lead to increased costs.

- The European Commission has further clarified the plans for a digital single market. The geoblocking is to be abolished for certain contents. This is an internet-based technology for the regional blocking of internet content by the provider. The purpose of the new regulation is to prevent that internet users cannot use their paid digital services when traveling or being on vacation. According to the draft law, in the future the so-called country of origin principle will also apply for broadcasting accompanying online offers of broadcasters (live streaming and on demand catch up). For the Constantin Film group, this could mean that, on-demand licenses possibly may no longer be granted exclusively for individual countries in future. The EU also plans to facilitate cross-border access to media libraries of conventional TV channels. The film industry is fearful that the territorial principle according to which rights to films or series are awarded on a country-by-country basis will be jeopardized.

– On January 1, 2017, the new Federal Film Promotion Act (FFG) entered into force. The aim of the new law is to make the promotion more efficient. Thus, the subsidies are to be concentrated on less, but on more promising films. Another important change is the fact that with the entry into force of the new law success loans will be removed, subsidies which are repaid at the success of film, are again indirectly available to the producers such as Constantin Film and its subsidiaries, as the general promotion fund increases by the repaid success loans.

– The current planning in the Segment Film is based on various national and international film funding programs, whose design could change in a negative way.

– Further regulatory risks arise from the possible entry into force of a currently discussed future “New Media Code” or a “Convergent TV Regulation”, e.g. by a new Broadcasting State Treaty (Amendment) of the federal states, and thus a new regulatory model for linear and non-linear media services. In this case, the interests of Sport1 GmbH could not be adequately taken into account, in particular in the context of the distribution of the SPORT1 TV programs as well as their availability in the digital media world.

– Sales from the areas of call-in, value-added services or teletext are subject to strict regulation by the state media authorities. It cannot be ruled out that stricter regulations and/or restrictions limit the realization of these planned sales.

As countermeasures, the Constantin Medien Group pursues the relevant judgments and legislative proposals and attempts to establish contact with decision-makers in politics through lobbying and external appraisals. Internal rules, trainings and contractual obligations are used to map a transmission of call-in-formats without breaking rules.

In view of the possible impact, overall this risk remains to be considered as substantial.

7.2.4 Business and market risks

The Constantin Medien Group requires access to licenses and literary materials

The Constantin Medien Group requires access to exploitation rights for its product portfolio. The following factors significantly influence this risk:

– In the production of TV or theatrical films in the Segment Film, access to and acquisition of rights in literary materials, exploitation rights and scripts and the conclusion of contracts with successful directors, actors and licensors are important factors. Therefore, Constantin Film group has been working for decades very closely with renowned and experienced screenwriters, directors and producers in Germany and abroad, who have extensive know-how in the production of theatrical films and TV formats.

– In the Segment Film, third-party productions are generally purchased on the individual film markets. Different prices are paid depending on the project and the market. At this time, the film has not yet been produced, but the rights are pre-sold for financing. Nevertheless, a complete failure of films for which high prices are paid, can have a negative impact on the net assets, financial and earnings position of the Group.

– In order to operate its platforms in the Segment Sports, Constantin Medien Group is dependent on the availability of attractive broadcasting rights for sports events or leagues and programs. A re-licensing of exploitation rights for sports events or programs can be accompanied by an increase of the planned license costs. The lack of availability of broadcasting rights to sports events or an increase in license fees in the future could lead to Constantin Medien Group missing attractive content for its TV channels or other platforms. This would be associated with lower market shares, lower advertising and/or sponsoring revenues as well as lower pay-TV revenues.

These risks are monitored by experienced employees in the area of rights and license acquisitions of the respective subsidiaries. On the one hand, literary materials, films and rights are acquired for the long-term – if possible – in order to have a stock of material that reduces the uncertainty in the planning period. On the other hand, the development of alternative formats and in-house productions is continually being expanded in order to create a certain independence from third-party rights. Furthermore, the attractiveness of the platforms and the ongoing optimization of the product reduce the risk. In the Segment Film, the Constantin Film brand plays a major role being the most important independent German film producer and distributor.

Overall, this risk is still considered to be substantial.

The Constantin Medien Group is in intense competition in the sales of its products

The Group's sales planning assumes certain market shares, coverage, subscriber and visitor figures as well as revenues from the various exploitation levels. If these assumptions are not met, planned sales might also not be achieved. There is also the risk that the cost structure cannot be adjusted in a timely manner. The following factors are considerable:

– There is a considerable competition for the limited budgets of the advertising industry which is opposed by an ever-increasing number of TV channels and other possible advertising platforms. Declining advertising investments and falling prices in the marketing of advertising time or advertising space could have a material effect on the sales and earnings performance.

– Market changes in the theatrical or Home Entertainment area, such as declining audience and sales figures or increasing competition, could result in lower prices paid for productions or licensed products. The expiration of framework contracts or a deterioration of the economic situation of licensees can also result in declining license prices and hence put the carrying value of the film assets at risk.

– A strong competitive environment could lead to declining margins in theatrical distribution.

– The sales planning includes advertising revenues from the areas of sports betting and erotic telephone offers. Changes to these markets, such as a greater fragmentation of providers, could endanger the planning.

Since the coverage, market shares, subscriber and visitor figures are particularly relevant for the amount of advertising revenues and proceeds, Constantin Medien Group aims to provide attractive programs for its TV channels and other platforms as well as for its theatrical films and TV productions in order to increase its competitive strength and to raise the high profile and attractiveness of its products by higher distribution and marketing expenses.

Overall, the risk is still considered to be substantial.

The Constantin Medien Group is dependent on customers and business partners

As any other company, the Constantin Medien Group is dependent on customers, suppliers and business partners. The media and entertainment industry has specific requirements. If contracts with major customers or business partners should expire, not be extended and/or be terminated during the term, this could have a significant negative impact on sales and earnings of the subsequent periods. The following factors are significant:

– In the Segment Sports- and Event-Marketing, the TEAM group is dependent on the major customer UEFA.

– In terms of exploitation of theatrical productions the pay-TV exploitation area is dependent on Sky Deutschland Fernsehen GmbH & Co. KG, as a considerable portion of the pay-TV license sales are achieved with this partner. If framework contracts should not be extended or only at significantly less favorable conditions, there could be a significant cut in planned sales.

– There is a dependency on the major German TV channels and the number and size of the channels as a whole. In the Segment Film, a considerable portion of the production costs of theatrical films is covered from the sub-licensing of the TV broadcasting rights. The achievable margins could be less than planned due to a strong position of the channels. In the Segment Sports, a concentration in the TV landscape could increase the power of competing channels in making offers which could result in lower pay factors in the advertising sales.

– In the Segment Sports there are long-term relationships with technical service providers, which are necessary for providing a smooth broadcasting operation. A premature termination or non-extension of individual supplier contracts could lead to higher costs in searching for new partners and the establishment of new structures.

Maintaining relationships with customers and business partners is a major management task. Compliance with contractual agreements as well as the quality of deliveries and services are regularly checked.

In the area of sports production services, due to the non-extension of the contract with Sky Deutschland Fernsehen GmbH & Co. KG and Sky Österreich GmbH, which expires at the end of June 2017, the risk reported in previous years has materialized. This fact is taken into account in the planning and is therefore no longer a risk.

Overall, however, the risk of the dependance on customers and business partners is still considered to be substantial.

In the Segment Sports, Constantin Medien Group is dependent on the coverage of the individual channels or platforms

For each broadcaster or platform, the maximum possible technical coverage is decisive. The wider the technical coverage, the more consumers and target group relevant advertising contacts can be generated. The following factors significantly influence this risk:

– There are contracts with the relevant German cable network, satellite and platform operators to secure the analogue and digital distribution of the channels operated by Sport1 GmbH over the medium-term. Contractual termination rights or changing regulatory requirements in the individual federal states and the competitive behavior of competitors on other distribution channels could however have a negative effect on the cable distribution of SPORT1.

– The state media authorities might not assign the free-TV channel SPORT1 to the analogue cable networks.

In the short-term, a drastic reduction in coverage could result in the fact that existing contracts with the advertising industry cannot be met. A sustainable reduction in technical coverage could reduce the price to be achieved per advertising minute or target group contact and hence put the realization of planned sales at risk. A reduction in technical coverage could increase feed-in costs if alternative and more expensive distribution paths have to be used. Also in the pay-TV area, planned sales could not be realized.

On the one hand, an attempt is made to keep this coverage as wide as possible through long-term contracts with the cable network, satellite and platform operators in the broadcasting area. On the other hand, this risk is reduced by the fact that the analogue cable distribution of SPORT1 is mandatory in several federal states due to regulatory requirements. Programming is an important decision-making criterion when assigning cable slots.

Overall, the risk is still to be considered as substantial.

The business models are dependent on meeting customer taste and the way the content is consumed and on reacting immediately to changes

The change in user behavior and in technical possibilities in media consumption could result in consumers taking advantage of the Constantin Medien Group's product portfolio less than planned, which would lead to a lack of attractiveness, coverage or relevance and the planned sales would no longer be achieved. The following factors are particularly relevant:

– There is a risk of losses in sales due to the technical possibilities for the production of illegal film copies and the lack of legal protection against copyright infringements.

– The changing market environment in the area of "in-home viewing" is likely to result in a large change in consumer behavior and provider structure in the mid-term. The analysis of opportunities and risks for content producers from this development, which is driven primarily by IP-based offers such as SVoD, is focused in the strategic discussions of the Constantin Film group.

– Advertising on mobile devices and computers can be blocked using the appropriate software, so-called ad blockers. New technologies could also enable to already channelize advertising on servers of the internet providers. This could jeopardize the realization of planned advertising sales on mobile devices and computers.

By means of targeted market research and user analyzes, Constantin Medien Group is trying to anticipate future trends in view of its content but also of the technological further development, which is also reflected in the intense digitalization activities in the Segments Sports and Film. Both in the Sports and Film area, consumer-friendly programs and literary materials are developed to increase the attractiveness of the products. The impact of piracy is reduced through lobbying, awareness-raising campaigns and a consistent prosecution of infringements.

Overall, this risk continues to be classified as a medium risk.

7.2.5 Legal risks

Constantin Medien Group is subject to risks arising from legal disputes

As an internationally operating company, the Constantin Medien Group faces numerous legal risks. These include, in particular, risks in the areas of corporate law, securities trading regulations, copyright law and betting and gaming law. In addition, there are now risks in the area of lending regulations as a result of the disputes with Stella Finanz AG. The results of currently ongoing or future proceedings can often not be predicted with any certainty, and so expenses can in certain circumstances be incurred as a result of judicial or administrative decisions, which are not or not fully covered by insurance benefits and could have a negative impact.

In the context of legal support for operating activities, legal risks are identified and assessed qualitatively and quantitatively regarding their probability of occurrence and potential impact. The facts or proceedings specified below represent significant risk factors.

Previous legal disputes
A lawsuit against Constantin Medien AG as the legal successor of EM.TV & Merchandising AG, which is based on the decline in prices of the EM.TV share in the years 2000/2001, is still ongoing with the Higher Regional Court Frankfurt am Main. The competent District Court Frankfurt am Main rejected this lawsuit on December 22, 2015. The plaintiff appealed against this ruling on which no legally binding decision has as yet been taken.

Due to the measures taken and the estimates this risk is still to be considered as small.

New legal disputes
– **Disputes with Stella Finanz AG**
  Highlight Communications AG reported in an ad-hoc notice on May 26, 2016, that the General Meeting scheduled for June 3, 2016, would be postponed indefinitely. The reason for this were legal uncertainties regarding the right to exercise voting rights from a significant number of shares. This concerns 24,752,780 bearer shares (shares) of Highlight Communications AG, which Constantin Medien AG holds and which it has for a number of years pledged as collateral for a loan to Stella Finanz AG. Unlike previous years when the voting rights under these shares were exercised by Constantin Medien AG (undisputed from Stella Finanz AG), Stella Finanz AG claims, contrary to the wording of the agreements, that the shares were not pledged to it but transferred as collateral and that it was therefore entitled to the voting rights of these shares.

  Constantin Medien AG terminated the loan agreement with Stella Finanz AG on extraordinary grounds and subsidiarily on ordinary grounds as at June 30, 2016. Stella Finanz AG rejected the notice of termination. Subsequently, Constantin Medien AG then reached an agreement with Stella Finanz AG in an agreement dated June 7/8, 2016 on a step-by-step rescission of the loan. However, at the end of June 2016, Stella Finanz AG despite its consent to the rescission in the agreement of June 7/8, 2016 cancelled the necessary bank orders for the processing of the repayment of the loan in exchange for restitution of the collateral at short notice without stating any reasons and since then has refused the rescission of the loan.

  On July 4, 2016, Constantin Medien AG petitioned the cantonal court of Glarus, Switzerland, for legal protection in clear cases and preventive legal protection (immediate summary protection) against Stella Finanz AG and its bank, Julius Bär & Co. AG. On July 6, 2016, the cantonal court of Glarus granted preventive legal protection in the form of an interim injunction. In its orders dated October 20, 2016, the cantonal court did not grant legal protection in clear cases due to the complexity and annulled the preventive measure (interim injunction). The facts must now be clarified in due process of law.

  On July 5, 2016, the District Court Munich I at the request of Constantin Medien AG prohibited (a) Stella Finanz AG for the purpose of securing Constantin Medien AG's claim for restitution under §§ 57, 62 German Stock Corporation Act (AktG), from disposing of the shares or from cooperating in a disposal of the shares, and (b) the Bank Julius Bär & Co. AG, until the final non-appealable ruling on Constantin Medien AG's restitution claim, from transferring the shares to another deposit or another bank without the written consent of Constantin Medien AG. The interim injunction of July 5, 2016 enacted to secure the rights of Constantin Medien AG was upheld by the District Court Munich I in a final judgment dated November 16, 2016. In a judgment dated May 3, 2017, the Higher Regional Court of Munich held that German courts had no jurisdiction in this matter and therefore set aside the ruling of the District Court Munich I against inter alia Stella Finanz AG. The Higher Regional Court Munich did not set aside the ruling on the merits but merely stated that the court in Munich has no jurisdiction for the said ruling on the merits.

  On December 19, 2016, Constantin Medien AG raised an action in the Regional Court Munich I against Stella Finanz AG and the Bank Julius Bär & Co AG for restitution of prohibited payments (§§ 57, 62 AktG) and tortuous acts (§ 823 German Civil Code, BGB, Bürgerliches Gesetzbuch).

  On December 9, 2016, Highlight Communications AG issued an invitation to an Ordinary General Meeting on December 30, 2016 ("General Meeting"). On December 21, 2016, the District Court Munich I, at the request of Constantin Medien AG, issued a interim injunction prohibiting Stella Finanz AG from requesting for a party other than Constantin Medien AG an attendance card or certificate of shares held in custody or certificate of holding from the Bank Julius Bär & Co. AG for the General Meeting and from exercising shareholder rights such as the voting right at the General Meeting. In addition, the District Court Munich I ordered the Bank Julius Bär & Co. AG, with regard to the shares of Highlight Communications AG, to provide the necessary documentation for

Constantin Medien AG's attendance at the General Meeting – this injunction was not complied by the Bank Julius Bär & Co. AG – and, pending the final non-appealable ruling on the restitution claim concerning the shares, to void and recall an attendance card, certificate of shares held in custody or certificate of holding that had already been prepared for the General Meeting for a party other than Constantin Medien AG.

On December 30, 2016, Constantin Medien AG, adhering to the company's legal position that the loan was effectively terminated as at June 30, 2016 and that in the agreement of June 7/8, 2016 the step-by-step rescission was agreed with Stella Finanz AG, fully terminated the loan with Stella Finanz AG once again. Stella Finanz AG has not complied with this precautionary renewed termination to this day.

On May 4, 2017, Constantin Medien AG filed a petition for arbitration with the arbitration office in Glarus in an effort to force Stella Finanz AG to give its comments on the retransfer of the shares after payment. In Switzerland, this kind of arbitration petition precedes due process. The aim of the arbitration petition is inter alia, thereon

- obligate Stella Finanz AG to restore within five days after a payment made by no later than June 30, 2017 to Stella Finanz AG (repayment of the loan together with interest and compensation of costs) to the claimant the pledged 24,752,780 bearer shares of Highlight Communications AG and also inter alia

- instruct the Bank Julius Bär & Co. AG, Zurich to transfer the pledged 24,752,780 bearer shares of Highlight Communications AG to Constantin Medien AG's custody account within five days after payment is made to Stella Finanz AG.

No agreement was reached in the arbitration proceedings with Stella Finanz AG on May 30, 2017, among other issues because the meeting did not result in an agreement regarding the period within which Stella Finanz AG would transfer the pledged shares of Highlight Communications AG to a deposit of Constantin Medien AG after repayment of the loan. The mediator therefore declared the arbitration proceedings to be unsuccessful and granted a claim regarding the main action.

On June 26, 2017, Constantin Medien AG agreed an escrow agreement with the solicitors Nater Dallafior Rechtsanwälte AG in Zurich/Switzerland. The aim of this agreement is to achieve the fastest possible rescission of the loan with Stella Finanz AG. To this end, Constantin Medien AG transferred the repayment amount plus interest to the escrow bank account on June 27, 2017. For this purpose, Constantin Medien AG concluded a new loan agreement with UniCredit Bank AG on June 2, 2017 (for details, see chapter 7.6). The escrow agent has been commissioned to transfer the loan plus interest to Stella Finanz AG in return for a written payment request by Stella Finanz AG including the statement that the loan amount is owed under the loan agreement dated June 2, 2014, as amendment by the agreement dated August 25/28, 2015, stating the recipient accounts with Bank Julius Bär & Co. AG. A call-off term applies to this. In addition to the payment request from Stella Finanz AG, Constantin Medien AG must also receive an original written statement from the Bank Julius Bär & Co. AG, Zurich, according to which the latter agrees irrevocably and unconditionally, as well as waiving any objections and pleas, to transfer the 24,752,780 bearer shares of Highlight Communications AG lodged with it to the deposit account of Constantin Medien AG within two days after receiving the requested amount. Upon presentation of these documents, the escrow agent shall transfer the loan amount plus interest to Stella Finanz AG. However, there is the risk that Stella Finanz AG does not get engaged in the rescission of the escrow agreement. Furthermore, there is the risk that Stella Finanz AG will pursue the realization of the collateral.

At the same time, Constantin Medien AG is also arranging for release proceedings regarding the pledged shares step-by-step in return for payment of the loan amount plus interest and costs against Stella Finanz AG at the court at Glarus, Switzerland, because Constantin Medien AG is assuming that the rescission of the loan and the release of the pledged Highlight Communications shares must be achieved in the 2017 financial year, if necessary, in court proceedings.

This new risk is classed as substantial based on the measures taken and on the estimate of the Management Board. This classification as a substantial risk results from the legal uncertainty due to the duration of the disputes and the potentially associated high costs.

- **Procedure against the resolutions of the Management Board of Highlight Communications AG to the disadvantage of Constantin Medien AG**
  Since the Bank Julius Bär & Co. AG did not comply with the above order of the District Court Munich I, Constantin Medien AG – unlike previous years – has not received a custodial confirmation or a blocking note from Bank Julius Baer & Co. AG for a proper registration for the General Meeting of Highlight Communications AG on December 30, 2016 for the pledged 24,752,780 bearer shares. As a result, Constantin Medien AG was only able to participate in this

General Meeting with 3,847,220 bearer shares (around 8.1 percent of the voting rights). Since Highlight Communications AG had transferred 9.99 percent of its treasury shares to Stella Finanz AG on December 16, 2016, and Stella Finanz AG voted in favor of the Management Board of Highlight Communications AG, Constantin Medien AG was unable to assert its interests as a majority shareholder in key issues such as the election of members of the Board of Directors.

Constantin Medien AG has initiated the appeal of individual resolutions of the above-mentioned General Meeting by letter dated February 28, 2017, in due time. Since the conciliation proceedings was unsuccessful, Constantin Medien AG was given the period until August 25, 2017, to submit a detailed reasoned claim to the court of first instance.

On March 27, 2017, Constantin Medien AG obtained a register block against the resolutions of the Board of Directors of Highlight Communications AG with the commercial register office of the Canton of Basel-Landschaft and requested that no capital increases to be entered in the commercial register to the exclusion of the subscription rights of existing shareholders. The competent Basel-Landschaft Municipal Court rejected this request on May 16, 2017, giving the reason that no right to proactively prevent the actions of the Board of Directos applies; instead, a responsibility claim must be asserted if it violates its obligations. Constantin Medien AG has appealed against this judgment. At the request of Constantin Medien AG, the Cantonal Court of Basel-Landschaft has for now granted a suspensory effect for the appeal and has ordered no further entries to be made in the commercial register for Highlight Communications AG until a definite decision regarding the suspensory effect.

Neverthless, the Board of Directors of Highlight Communications AG has decided to use the company's authorized capital to issue 15.75 million shares to Highlight Event and Entertainment AG, informing the public and therefore also Constantin Medien AG in a 17 MAR notice on June 12, 2017. This would increase the share capital of Highlight Communications AG to a total of CHF 63.0 million. The share of Highlight Event and Entertainment AG in Highlight Communications AG would accordingly amount to 25.0 percent. The subscription price was set at EUR 5.20 per share. The share package is thus valued at approx. EUR 81.9 million. According to the notice from Highlight Communications AG, the shares were definitively accepted by a Swiss bank and would be placed at Highlight Event and Entertainment AG in full. The shares are created with the not yet completed entry in the commercial register in the external relationship; however, according to the notice of Highlight Communications AG, they already bear full voting rights. After this increase in the registered share capital of Highlight Communications AG, Constantin Medien AG only holds a share of approx. 45.4 percent in Highlight Communications AG – taking into account the shares pledged as security.

Since these are new circumstances, Constantin Medien AG applied for a new register block with the commercial register office of the Canton of Basel-Landschaft on June 12, 2017. In addition, Constantin Medien AG considers the relevant Board of Directors resolution to be null and reserves the right to assert a claim of nullity against it.

According to the notice from Highlight Communications AG pursuant to Article 17 MAR, the placement of 15.75 million new shares at Highlight Event and Entertainment AG is intended to unblocking the deadlocked situation into line with the shareholders of Constantin Medien by launching a takeover bid by Highlight Event and Entertainment AG. The possible public takeover offer to the shareholders of Constantin Medien AG will be used to acquire the majority of shares and in the long term all shares of Constantin Medien AG. Highlight Event and Entertainment AG is intending to work towards such a takeover offer under certain conditions, which are not currently fulfilled, such as secured financing. However, the Board of Directors of Highlight Event and Entertainment AG has not yet reached a final decision regarding this matter. According to Highlight Communications AG, it would itself carry out the takeover offer if applicable with the participation of Highlight Event and Entertainment AG. At the time of publishing this report, Constantin Medien AG did not have a takeover offer in accordance with the Securities Transfer Act.

This new risk is classed as substantial based on the measures taken and on the estimate of the Management Board. This classification as a substantial risk is due to the potentially very high costs of these new disputes and, in particular, resulting from the consequences for the balance sheet of diluting the shares of Constantin Medien AG in Highlight Communications AG.

The consequences for the balance sheet result in the possible deconsolidation of Highlight Communications AG. The deconsolidation may result if the following events occur:

– The rescission of the loan also on the basis on the escrow agreement cannot be achieved, and in a possibly necessary court dispute the courts decide in favor of the opposing party.

- Due to the behavior of Stella Finanz AG, Constantin Medien AG will continue to be prevented from exercising its rights under the 24,752,780 bearer shares of Highlight Communications AG pledged as collateral at the next General Meeting of Highlight Communications AG.

- If the court of last instance reaches the decision that the 24,752,780 bearer shares in Highlight Communications AG were not pledged to Stella Finanz AG but transferred as securities.

- The appeal against the commercial register entry and any potential court proceedings of Constantin Medien AG are unsuccessful in relation to the issue of 15.75 million new shares of Highlight Communications AG to Highlight Event and Entertainment AG based on the resolution of the Board of Directors of Highlight Communications AG and the insider information according to Article 17 MAR, on June 12, 2017, which still requires entry in the commercial register to be effective.

If these events occur either individually or cumulatively, it may no longer be possible to fully consolidate Highlight Communications AG.

If Highlight Communications AG had already been deconsolidated as of December 31, 2016, the consolidated balance sheet and key items in the consolidated income statement would be as follows:

Alternative presentation of the consolidated balance sheet as of December 31, 2016* in EUR '000

	12/31/2016
Non-current assets	181,746
Current assets	55,738
Total assets	237,484

* Voluntary presentation without Highlight Communications AG

Alternative presentation of the consolidated balance sheet as of December 31, 2016* in EUR '000

	12/31/2016
Equity attributable to the shareholders	91,518
Non-controlling interests	0
Total equity	91,518
Non-current liabilities	64,301
Current liabilities	81,665
Total equity and liabilities	237,484

* Voluntary presentation without Highlight Communications AG

Alternative presentation of significant line items in the consolidated income statement from January 1 to December 31, 2016* in EUR '000

	1/1 to 12/31/2016
Sales	565,669
Profit from operations (EBIT)	96,670
Net profit	71,544
Net profit attributable to shareholders	**65,454**

* Voluntary presentation without Highlight Communications AG

In addition, it is pointed out that the actual disposal effect can only be determined at the time of the actual loss of control at the fair value of the shares and the value of the net assets at that time. Since this is an uncertain point of time, it is not possible to work with estimates or sensitivities. The fair value is determined on the basis of the relevant stock market price of the shares at the time of the actual loss of control; the relevant net asset value at this time is based on the amortized cost.

For more details, reference is made to note 5 accounting estimates and assumptions in the notes to the consolidated financial statements.

– **Procedure against the resolutions of the Board of Directors of Highlight Communications AG**
On March 31, 2017, the Board of Directors of Highlight Communications AG decided on measures to defend against unfriendly takeover attempts. As a result of the temporary measures adopted by the Board of Directors, pursuant to an insider information according to Art. 17 MAR of Highlight Communications AG of March 30, 2017, ensure that in the case of an unfriendly takeover attempt by certain persons or jointly acting third parties, substantial assets of the company are protected and their access is withdrawn and secured for the company. For this purpose, Highlight Communications AG has granted two independent foundations (Skywall Dr Stiftung and Cineprotect Stiftung) options for such a situation to temporarily acquire the majority of ordinary shares and in particular the voting rights both for the TEAM group and for Constantin Film AG. These foundations are independent of Highlight Communications AG. However, the Foundation Boards include as members Mr Bernhard Burgener (Chairman of the Board of Directors of Highlight Communications AG) and managers of the Highlight Communications group.

There is the risk that the two key assets of Highlight Communications AG would be withdrawn if these two foundations exercise their options. This would have a significant influence on the net assets, financial and earnings position of the Highlight Communications group and possibly on the dividend policy of Highlight Communications AG, and therefore also indirectly on the Constantin Medien Group and Constantin Medien AG.

Based on the measures taken and the estimates of the Management Board, this new risk is considered to be major, since a significant asset reduction may occur at the expense of the Company.

– **Actions for annulment against the resolutions of the General Meeting on November 9/10, 2016**
Shareholders of Constantin Medien AG have asserted a claim against different resolutions of the General Meeting on November 9/10, 2016. This e.g. relates to the resolutions regarding agenda items 4 through to 7. The reasons for the actions for annulment include the fact that the chairman of the meeting had excluded shareholders holding just under 30 percent of the subscribed capital and forming a voting rights pool from voting due to incorrect voting rights notifications. In addition, Highlight Event and Entertainment AG asserted a claim of nullity against the appointment to the Supervisory Board of Dr Hahn at the General Meeting of Constantin Medien AG in 2014. The actions for annulment and claims of nullity might result in the resolutions to which the claims relate becoming null. This new risk is classed as medium based on the measures taken and on the estimate of the Management Board.

The Constantin Medien Group is subject to risks arising from contractual penalties and liabilities for damages
In the Segment Sports, Constantin Medien Group is contractually obligated towards various customers and business partners to provide broadcasting continuity and a timely delivery of program contents. Non-compliance with this obligation can result in contractual penalties or liabilities for damages. Contractual penalties and payment of damages can have a negative impact on earnings.

Technical measures, further developments and redundancies as well as regular monitoring of the project's progress are used to identify potential deviations in quality and time as well as to minimize their consequences. This is supported by the long-term experience of the employees and established processes in the individual organizations. Moreover, potential risks are insured in a cost and benefit analysis. If possible, suppliers share this risk.

Taking into account the predominantly technical countermeasures taken, the risk is still to be classified on a medium level.

7.2.6 Operating risks

In the Segment Film, the production of a theatrical or TV film is a cost-intensive and long-term project

The production costs of a German film with an average budget run between EUR 3 million and EUR 7 million; major international productions can amount to a multiple of this. The period from the first idea to the last marketing stage can take several years. The following factors are significantly influencing this risk.

- For TV service productions, the cost risk can be high due to development costs. In the case of a non-commisioning, these costs are often only partially beared by the respective channel. Even if shows are commissioned, costs cannot necessarily be claimed from the TV provider as initial costs in the budget.

- In addition, successful coverage and market share developments are important for the TV channels, both when buying and producing program contents in order to continually bind financially strong advertising partners to the channels. As a result, program providers increasingly reserve the option of withdrawal from a commissioned format if it does not achieve the expected ratings. For producers, this means an increased risk of their productions being dropped at short notice.

- In the unlikely event of a delay or cancellation of a theatrical or TV service production due to unforeseen market or project developments, it is possible that already delivered or commissioned services can no longer be used and additional costs arise from a recommissioning of the services.

- A lack of budget discipline in terms of release costs could result in an overrun of the film related marketing costs and might reduce a film's profit margin.

- In contrast to theatrical films, financing of international TV series cannot be largely ensured by advance sales on a script basis. As a rule, advance sales are possible by presentation of at least one complete pilot episode. Thus, production costs have already progressed strongly until sales are made.

Should budget overruns occur during a production, this could have a negative impact on the planned profit margin of a film and thus on the result. In addition to the regular monitoring of production costs, film insurances and particularly completion bonds are concluded, which are intended to secure the completion of a film.

Constantin Film AG is applying for formats and has concluded development contracts for serial and non-serial formats at various broadcasters, program providers and distribution platforms in Germany and abroad. Due to its many years of experience in film production, in the past, Constantin Film AG has usually managed to cover incurred production costs with the exploitation revenues. Furthermore, it was able to keep film productions within the timely and financial framework and largely avoided the occurrence of non-scheduled costs or provided insurance against these.

Overall, the risk is still considered to be substantial.

The Constantin Medien Group is dependent on a secure and efficient infrastructure

To ensure smooth business operations, Constantin Medien Group is dependent on the smooth functioning of its IT systems. In spite of security measures such as access control systems, emergency plans and uninterruptible power supply for critical systems, backup systems and regular data mirroring, it cannot be ruled out that there is no adequate protection against damage from the failure of their IT systems.

- In the Segment Sports, a large part of program distribution and broadcasting operations is also dependent on a smoothly functioning of the technical infrastructure. A technical fault could interrupt broadcasting operations.

- Tata Communications Limited will provide PLAZAMEDIA GmbH with the contribution and distribution services after the end of the long-term contract with the existing service provider. Technical installations are necessary on the site and in the premises of PLAZAMEDIA GmbH as well as the contracting of sub-service providers. Test runs and a segment-wise parallel operation are planned for the performance. Delays in the project could jeopardize the induction of the new service provider or might necessitate the subsequent commissioning of the previous service provider to conditions that are currently not negotiated.

– Should a IT system failure or a theft of company data or a manipulation of the company IT occur, this could have negative impact on operations and thus on the result.

The risks of unauthorized access to company data are largely prevented by using virus scanners and firewall systems. In addition, the Group implements measures in order to keep the existing IT service landscape on a technologically state-of-the-art level and to counteract the aging process of devices and program technology. Broadcasting related technology is often designed as redundant and its functions are monitored promptly.

Taking into account the effects of countermeasures, the risk is still on a medium level.

The Constantin Medien Group is dependent on the creativity, commitment and competence of its employees
The future success of the Constantin Medien Group depends to a considerable extent on the performance of its executives and its employees. There is a strong and growing competition for personnel with the appropriate qualifications and industry knowledge.

The Constantin Medien Group therefore cannot guarantee that it will be able to retain its well trained and committed employees in the future or attract new employees with the appropriate qualifications.

The movement of qualified personnel or persons in key positions could lead to the loss of know-how and generate unscheduled costs for the recruitment and training of new personnel, and thus could have a negative impact on the result.

In order to minimize this risk, target agreement and feedback meetings are held regularly. In addition, Constantin Medien Group offers an attractive work environment, a performance-based compensation and opportunities for further development. In order to increase attractiveness as an employer in the job market, there were increased investments in social networks and applicant portals.

Overall, this risk must still be classified on a small level.

The Constantin Medien Group might be insufficiently insured against damages and claims
The Constantin Medien Group makes decisions on the type and scope of insurance protection based on a commercial cost-benefit analysis in order to cover the risks being considered material. However, Constantin Medien Group cannot guarantee that it will not suffer losses or that no claims will be asserted, which would exceed the scope of the existing insurance cover.

If the Constantin Medien Group suffers material damage, where no, or only insufficient, insurance cover exists, this could have a negative impact on the result. In the event of damage, third-party claims or replacement investments had to be financed from own funds.

Overall, this risk remains at a small level.

7.2.7 Compliance risks

In spite of existing control and monitoring systems of Constantin Medien Group, it may be, that these may be insufficient to prevent legal violations by employees, representatives, external service providers or partners or to detect legal violations
In principle, the Constantin Medien Group cannot monitor extensively the activities of employees, representatives and partners during the initiation of business with customers. If it becomes apparent that individuals whose actions are attributable to the Constantin Medien Group accept or grant unfair advantages in the context of the initiation of business or otherwise use corrupt business practices, this could lead to legal penalties according to German law as well as the law of other states in which the Constantin Medien Group conducts business. Possible sanctions which may be imposed can include considerable fines, as well as the loss of orders. This could have a negative impact on the result and could lead to a loss of reputation of the Constantin Medien Group.

The risk remains at a small level.

7.2.8 Financial risks

The Group is exposed to various financial risks arising from its business operations and financing activities. The financial risks can be broken down by the categories liquidity risks, credit risks and market risks (including currency risks, interest rate risks and price risks).

The risks associated with the financing are described in detail in the notes in chapter management of financial risks (page 140 et seqq.). In the Group, currency and interest rate risks are hedged, as far as meaningful, by appropriate hedging transactions.

The Constantin Medien Group is subject to liquidity risks
Liquidity risks arise if the Group's payment obligations cannot be covered by available liquidity or by corresponding credit lines. As of the balance sheet date, Constantin Medien Group had liquidity reserves taking into account available short-term credit lines. Nevertheless, it cannot be ruled out that existing surety or loan facility agreements of individual credit institutions or investors could be terminated or not be extended so that Constantin Medien Group, even taking into account avail-

able working capital lines, might be forced to borrow additional third-party capital on the capital market or credit institutes in the short- to medium-term to finance new projects or to re-finance existing financial liabilities.

As a result, there is the risk that, if the economic situation of the Group deteriorates, further financing funds could not be available, or could not be available to a sufficient extent or only be available at unfavorable conditions. If Constantin Medien Group is unable to repay the existing loans at due date or to repay it after termination or at the end of the term, there is the risk that the respective lender might dispose of the assets of the Constantin Medien Group transferred for security. There is the risk that in the event of such a realization, assets had to be sold below their real value, which would have a significant negative impact on the result.

Regarding the liquidity risks of Constantin Medien AG – which in themselves could be existential – see the following detailed presentation in chapter 7.6.

Due to the liquidity risks associated with legal risks, this risk, overall is now classified as substantial. In the previous year the allocation of the risk was on the small level.

The Constantin Medien Group is exposed to currency risks
Currency risks are mainly against the Euro and the US dollar, the Canadian dollar and the Swiss Franc.

In the case of material transactions Constantin Medien Group aims to reduce the currency risk through the use of appropriate derivative financial instruments. However, it is not ensured that the currency hedging measures of the Group are sufficient and that fluctuations in exchange rates do not adversely impact the result.

Given the fact that the Euro/Swiss franc exchange rate has moved around 1.08 since mid-2015, the current assessment of this risk leads to a change in the classification from a substantial risk to a medium risk.

The Constantin Medien Group is subject to credit risk
A credit risk exists when a debtor is unable to meet a repayment obligation for a receivable at all or on time. The credit risk includes the direct counterparty default risk as well as the risk of deterioration in creditworthiness.

Potential default risks on customer receivables are regularly evaluated and, if required, valuation allowances are recognized. In addition, the Group insures the risk of default caused by insolvency of a debtor by obtaining creditworthiness information. Therefore, the Group assesses the credit quality of receivables that are neither overdue nor impaired to be largely satisfactory.

A loss of receivables from customers could have a negative impact on the result and the liqudity.

Taking into account the countermeasures taken, this risk remains unchanged at a small level.

The Constantin Medien Group is subject to interest-change risks
The interest-change risk primarily relates to the area of current and non-current financial liabilities. In addition, an interest-change risk results from the mismatch of maturities. Currently, Constantin Medien Group has fixed and variable interest bearing current financial liabilities and fixed interest-bearing non-current financial liabilities. Risks from changes in interest rates for financial liabilities could have a negative effect on the result.

Overall, this risk remains unchanged at a small level.

The Constantin Medien Group is subject to risks in the valuation of financial and non-financial assets
At the balance sheet date, Constantin Medien Group holds significant financial and non-financial assets such as film assets, other intangible assets and goodwill, fixed-interest short-term securities, preference shares as well as other non-current financial assets. Impairment tests are performed for assets of the Constantin Medien Group annually or, in case of triggering events for impairment during the year.

Whenever a market value is not available, the calculation of the valuation method includes estimates and assumptions by the management which are based on premises. These are based on currently available knowledge. The actual development, which is often outside the sphere of influence of the Company, can pass the assumptions made and require an adjustment of the carrying values. This can have a negative impact on the result.

Overall, this risk remains at a medium level.

The Constantin Medien Group cannot rule out risks of future tax or social insurance audits despite proper processes and careful controls
Constantin Medien AG considers that tax returns and statements to social insurance carrier compiled within Constantin Medien Group have been submitted completely and correctly. Nevertheless, there is the risk that additional tax claims might be asserted in the area of sales and withholding tax, particularly due to the complex regulations in the media sector. In case of

a social insurance audit at Constantin Medien Group, it cannot be ruled out in principle that the social insurance authorities carry out a different view of the social insurance contributions so that the Constantin Medien Group subsequently suffers additional charges.

If deviations from taxation or additional social insurance occur, this could have a negative impact on the result.

Overall, this risk is to be classified at medium level due to the increasing complexity. In the previous year, the classification was made at small level.

7.3 Opportunities report

7.3.1 Opportunities management system

Similar to the risk management, the opportunities management of the Constantin Medien Group aims at quickly and efficiently implementing strategic and operative targets using specific activities. Opportunities can arise in all areas. Their identification and target use is a management task, which is integrated in the daily decision-making process.

In order to better structure and communicate the opportunities portfolio, the recognition and measurement of opportunities were added to the existing risk management system (RMS). The corresponding requirements and processes apply similarly.

Based on the definition of the term risk, Constantin Medien Group defines an opportunity as a possible future development or an event that could lead to a positive deviation from forecasts or objectives for the Company. This means that events which are already included in the budget or economic mid-term planning do not constitute an opportunity according to this definition and are not reported below. Similar to the risks, the opportunities are quantified in four categories as “small”, “medium”, “substantial” and “major”.

7.3.2 Information on individual opportunities

In the following, individual opportunities and their factors as well as their effects are presented. The presentation is grouped according to the risk categories of the RMS. The presentation in the opportunity report is based on a higher degree of aggregation than in the RMS itself.

7.3.3 Opportunities from regulations

For the Segment Sports, the Constantin Medien Group sees opportunities in a possible further deregulation of sports betting and other gambling business types

The granting of concessions/licenses to private sports betting providers, that has not yet occurred, currently prevents additional advertising volumes in the sports betting area. In addition, a nationwide deregulation of operating and advertising of other gambling types (e.g. poker and casino) has not yet occurred.

The granting of licenses to private sports betting operators and a complete deregulation in the area of gambling business could have a positive impact on sales.

The opportunity is unchanged considered to be small.

The Constantin Medien Group identifies opportunities in the Segment Sports in a possible New Media Code

If the “New Media Code” or the “Convergent TV Directive”, which are currently being discussed, become effective e.g. in the shape of a new Broadcasting State Treaty (amendment) of the federal states, this could result in a new regulatory model for linear and non-linear media services and as such could result in deregulations, particularly in the area of broadcasting advertising law. This could result in new sales opportunities within the advertising marketing of the SPORT1 TV programs.

Overall, this opportunity is considered to be small.

7.3.4 Business and market opportunities

The Constantin Medien Group identifies opportunities through the implementation of the strategy for digital transformation

The advancing digitization also changes the media usage behavior of the people. The Constantin Medien Group has been actively driving the digital transformation for quite some time within the Group. In this context, the broad operational positioning, the excellent and not infrequently leading market positions of the Group's activities and its strong well-known brands in the ever changing media world are clear advantages. The following factors are significant for the Management of the Segment Sports.

In order to participate in the strongly increasing mobile media usage behavior, there are opportunities in the expansion and creation of existing and new mobile offers in the sports and entertainment area. This relates both to revenues from subscriptions and to advertising-financed media products. Given very high coverage on all mobile products, there is the opportunity of increasing revenues through new mobile-compatible marketing products.

- The changed media usage behavior is also reflected in the strongly increased use of video content on all digital platforms. For this purpose, SPORT1 is implementing its digital video infrastructure in order to increase the number of available content, to shorten editorial processing times, or to allow individual user recommendations for additional video content. This can lead to new coverage and revenue opportunities.

– SPORT1 has expanded its technical infrastructure with standardized interfaces that enable external partners to create new offers and products based on SPORT1 content and sports data. In this way, SPORT1 is continually expanding the coverage of the social media platforms. The devolvement is of importance for adding users to the own platforms (for example SPORT1.de, SPORT1 mobile apps) as well as for the provision of advertising marketing. This can lead to new coverage and revenue opportunities.

– New revenue streams can be achieved in the area of subscriptions as well as advertising marketing by setting up new thematic channels (mobile and online) and at the same time addressing new target groups.

– In the Segment Film the digital transformation is actively driven by way of licensing agreements with digital distribution providers, new forms of digital marketing or productions for international and national providers such as Netflix.

The planning of attainable revenues of these business models is based on careful assumptions. There is the chance that the current development will by far exceed the assumptions made and that the digital transformation will lead to higher revenues as expected.

This opportunity remains at a medium level.

The Constantin Medien Group sees opportunities in the Segment Sports by setting up a new consulting division

From 2017, the Constantin Medien Group offers its customers and partners integrated and independent media advice through a separate consulting department. In future, the consulting division will bundle the comprehensive competences of the Segment Sports and provide media consulting in the areas of sports and entertainment, thus meeting the growing demand from clients for customized solutions and the medialisation of content. The new business unit under the brand LEITMOTIF Consultants is integrated into the creative agency LEITMOTIF Creators GmbH.

The planning of the achievable sales of the new business model is based on cautious assumptions. There is an opportunity that the actual development will exceed the assumptions made.

Overall, this opportunity is classified as medium.

The Constantin Medien Group sees opportunities in the Segment Sports through the agreed partnership with Tata Communications to establish a joint media hub in Germany

Constantin Medien AG and Tata Communications Limited have agreed to set up a new media hub in Germany. In future, this will provide services in the area of content distribution, management, storrage and data processing for media companies in the German-speaking countries. In future, Constantin Medien's entire service portfolio in the Segment Sports will be distributed worldwide through Tata Communications.

The agreement with Tata Communications is a key milestone in the digital transformation of PLAZAMEDIA and also a further step in the repositioning of the Constantin Medien Group towards an innovative technology media house. This agreement creates the opportunity to expand the Constantin Medien Group's product range, which could have a positive effect on the planned sales.

Overall, this opportunity is considered to be substantial.

7.3.5 Operational opportunities

The Constantin Medien Group sees opportunities in the exploitation and development of already secured licenses, formats and literary materials, as well as in the maintenance of an extensive network

The Constantin Medien Group already has a large number of exploitation and/or marketing rights to sports and entertainment events being important for the operating activities of its different segments, as well as to film rights and literary materials. Thus heaving created the basis for generating sales, also beyond the planning period. The image of the Group and the maintenance of an extensive network also support the access to these rights in the future.

The exploitation of these sports rights can increase the attractiveness and thus the coverage of the channels and platforms stronger than expected, which would lead to future sales that are higher than planned. Already secured, attractive theatrical literary materials and rights, if they meet the customer's taste, could lead to higher than planned sales across the entire exploitation chain. In particular, there is the possibility of an international relaunch of existing well-known intellectual properties/brands belonging to the Constantin Film group.

The opportunity is still considered as medium.

The Constantin Medien Group sees opportunities in its co-operation with the UEFA

The long-term co-operation between TEAM and the UEFA to market the commercial rights for the UEFA Champions League, UEFA Europa League and UEFA Super Cup up to the 2020/21 match periods, provide very good perspectives for the continuation of the close co-operation with the European Football Association for a further three-year cycle until the 2023/24 match periods by a continuing performance of TEAM.

The opportunity is still considered to be medium.

The Constantin Medien Group sees opportunities in raising synergies by optimizing internal processes

The opportunity reported in the previous year to increase synergies by optimizing internal processes does no longer exist since the relevant project was discontinued.

7.4 Consolidated presentation of risks and opportunities situation

The opportunities and risks reported by the individual risk officers are summarized and aggregated as set out in the guideline adopted by the Management Board and an assessment is carried out at Group level. The decentralized Group structure is taken into account. Responsibility for the complete and correct recording, assessment and communication of the opportunities and risks lies with the persons responsible for the affected company. The Management Board is responsible for the overall presentation of the opportunities and risks.

Based on the information available and on estimates, particularly the probability of occurrence, the maximum amount of damage and the effect of countermeasures taken, the Management Board of Constantin Medien AG reaches the conclusion that these risks do not put the going concern of the Group at risk, with the exception of the liquidity risks of the holding company Constantin Medien AG as presented in chapter 7.6. This particularly applies to individual risks as well as to the risks as a whole as far as the effect of all risks together can be reasonably simulated or otherwise estimated. The Management Board currently considers the Group to be prepared to deal with the risks not being reduced by countermeasures. However, it cannot be ruled out that in the case of an entry or cumulative entry, in particular of the liquidity risks, the risk profile of Constantin Medien AG could materially deteriorate.

To summarize, three risk clusters can be identified: The first category includes externally driven risks, which arise particularly from regulatory interventions and legal provisions and are difficult to influence. These topics are closely monitored in order to identify unfavorable developments in a timely manner. The effect of these topics is by nature not short-term so that adjustments can be made in the planning process. The second category consists of topics which the Management Board consciously accepts in order to implement the business strategy. These include particularly the risks of film and TV production, the access to license rights and literary materials as well as the sales, taste and consumer risks. The Management Board is convinced that the effects of these risks compared to the revenue potential resulting from the relevant business areas are manageable. Key figures are monitored in order to be able to identify whether this relationship does not persistently deteriorate in the individual areas. This can be followed by an adaptation of the strategy. The last group includes operating risks and in particular risks from operations, security concepts and contractual or financial obligations and legal risks. These are managed by the Management Board by way of guidelines and process controls as well as the inclusion of external consultants, so that the remaining residual risk remains at an economically justifiable level.

The Management Board continues to see the greatest opportunities in the consistent expansion of the digital strategy and in the opportunities that a transformation of the media world can include. Further opportunities arise with the establishment of new partnerships as well as business areas.

The Group companies are all established in their respective areas, can access a broad network of technical and creative energy and react quickly to changes. Accordingly, the Management Board is convinced that the measures taken keep the risk at an economically justifiable level and considers the risk-bearing capacity of the Group to be sufficient. At the same time, it consistently pursues the existing opportunities.

7.5 Internal control and risk management system in relation to the Group accounting process

The accounting-related internal control system (ICS) of the Constantin Medien Group includes measures to ensure a complete, correct and timely forwarding of the relevant information necessary for preparing the annual and the consolidated financial statements, as well as the consolidated Group management and management report. This is intended to minimize the risks of incorrect representation in accounting and external reporting.

Similar to the risk management system, the ICS also follows the basic principles of the overarching framework for enterprise-wide risk management as developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Accounting within the Constantin Medien Group is decentralized. While each subgroup has its own department, Constantin Medien AG supports its direct subsidiaries with specific accounting-related issues. The preparation of the annual financial statements of Constantin Medien AG and its subsidiaries is performed in conformity with the respective state specific regulations. For the requirements for the preparation of consolidated financial statements in accordance with IFRSs, reconciliation accounts are prepared for all companies included in the Group and reported to the consolidated financial statements. The accounting and valuation principles in the Constantin Medien Group regulate uniform accounting and valuation methods and establish a uniform chart of accounts across the Group in accordance with IFRS requirements applicable to the parent-company. Laws, accounting standards and other statements are continually analyzed to determine whether and to what extent they are relevant and how they affect accounting. The relevant requirements are e.g. recorded in the Group accounting manual, communicated and together with the Group-wide closing calendar form the basis for the financial statement process. In addition, supplementary procedure instructions standardized reporting forms, IT systems as well as IT-supported reporting and consolidation processes support the process of preparing uniform and proper Group accounting. If necessary, the Group also uses external service providers, e.g. to valuation of pension liabilities. The qualification of the employees involved in the accounting process is ensured by means of appropriate selection processes and regular training measures.

At Group level, the specific controlling activities to ensure the compliance and reliability of Group accounting encompass the analysis and, where appropriate, corrections of the individual financial statements submitted by the Group companies. A clear definition of responsibilities as well as process-integrated controls such as the application of the dual control principle form further control measures.

The compliance and effectiveness of the internal control system is audited annually by process-independent auditing activities conducted by the Group's internal audit and are regularly reported to the Management and Supervisory Boards.

7.6 Risks and opportunities of Constantin Medien AG

The annual financial statement of Constantin Medien AG is mainly influenced by the risks and opportunities of the subsidiaries, as Constantin Medien AG is directly involved as the financial holding and parent company. Accordingly, the above-mentioned risks and opportunities also apply to Constantin Medien AG, with the exception of the risk that the full consolidation of Highlight Communications AG will be terminated. These risks and opportunities can arise at Constantin Medien AG at other times than at the level of the operating subsidiaries.

In addition, there are liquidity risks at Constantin Medien AG. Regarding the occurrence, the chronological sequence must be distinguished between the following factors. Should these risks occur individually or in combination, the going concern of Constantin Medien AG could be jeopardized.

– At the General Meeting on December 30, 2016, the shareholders of Highlight Communications AG have rejected the proposal of the Board of Directors to pay a dividend. If the 24.75 million pledged Highlight Communications AG shares or their voting rights of Constantin Medien AG continue to be withheld and/or not approved for voting at the Annual General Meeting, in 2017 Constantin Medien AG would only receive a dividend for the non-pledged 3.85 million Highlight Communications shares, if the General Meeting for the 2016 financial year would approve a dividend payment. However, the dividend payment could also be entirely dropped. As a result, Constantin Medien AG would lack liquidity.

– A loan agreement with UniCredit Bank AG for EUR 36.0 million existed to refinance the loan from Stella Finanz AG. This had a term until June 30, 2017. With the agreement of June 2, 2017, a new loan agreement was concluded with UniCredit Bank AG for also EUR 36.0 million. The new loan has term until September 30, 2017. As collateral approx. 3.85 million shares in Highlight Communications AG (previously: 14.0 million shares) as well as company shares in Constantin Sport Holding GmbH were pledged. The other terms of the loan agreement largely match those of the previous loan agreement. In particular there are special termination rights inter alia in the event of a change of control at Constantin Medien AG. If UniCredit Bank AG were to make use of its special termination rights, and Constantin Medien AG was unable to repay its loan at the given time, or – if applicable also at September 30, 2017 – no alternative financing was available, this would put the going concern of Constantin Medien AG at risk. In principle, the Management Board of Constantin Medien AG is aiming to replace the loan with a medium-term financing agreement if it is not possible to redeem the existing loan prematurely or at maturity. If refinancing cannot be arranged, the Management Board must enter into negotiations with UniCredit Bank AG regarding an extension to the current loan agreement.

– The corporate bond 2013/2018 will be due for repayment on April 23, 2018. If the liquidity for the repayment, including the last interest payment, would not be available on the maturity date, or it would not be possible to close the refinancing of the corporate bond by selling of assets and/or the adding of new borrowings from third parties and/or the capital market, the going concern of Constantin Medien AG would be jeopardized. The Management Board of Constantin Medien AG is currently examining numerous measures to ensure the refinancing of the corporate bond.

– Constantin Medien AG stated on June 16, 2017, according to insider information under Art. 17 MAR that it is considering selling all shares in Sport1 GmbH and Sport1 Media GmbH, which it holds through its wholly owned subsidiary Constantin Sport Holding GmbH. To this end, Constantin Medien AG is carrying out a structured, competitive bidding process involving several interested buyers. The conditions for the potential sale of shares, particularly the purchase price, are not yet set and the Management Board will subject them to in-depth examination before reaching a decision.

If alternative financing cannot be agreed in the course of 2017, and the planned sale of shares in Sport1 GmbH and Sport1 Media GmbH is not possible, this could put the going concern of the company at risk.

The Management Board is already in discussions to ensure the company's financing in the future, however it cannot be excluded that these discussions might take longer to conclude and/or can only be concluded at worse conditions than the previous credit agreement. These discussions might also end without any specific agreements being reached.

Any liquidity risks that put the company's going concern at risk are major risks by definition. This risk is classified as substantial based on the measures taken and initiated by the Management Board. In the previous year, the classification was made at the small level.

– **Constantin Film Produktion GmbH terminates the use agreement for the brand "Constantin"**
  By letter from December 2016, Constantin Film Produktion GmbH, as the owner of the brand "Constantin", among others, terminated on extraordinary grounds and subsidiary on ordinary grounds as of December 31, 2017 the existing agreement between itself and Constantin Medien AG for using this brand especially in the company name "Constantin Medien AG". Constantin Medien AG has rejected these cancellations as ineffective. The further use of the name "Constantin Medien AG" is currently subject of claim proceedings before the District Court of Munich I. The risk in the annual financial statements of Constantin Medien AG is an impairment on the carrying book value of the capitalized right to use on the "Constantin" brand. In the consolidated financial statements, the Constantin brand name is capitalized with a carrying value of EUR 28 million. However, in contrast to the annual financial statements, this does not relate to the use right but to an allocation of the purchase price for Highlight Communications AG to the brand "Constantin" during the first-time full consolidation in 2008. The carrying value of the brand name "Constantin" in the consolidated financial statements is reviewed each year as part of impairment testing and is dependent on the planning of the future business development of the Constantin Film group.

  Taking into account the measures taken, this risk is classed as small.

8. Outlook

8.1 Economic environments

The development of the global economy is expected to gain momentum in the year 2017. The IMF is anticipating further growth against 2016 in industrial countries as well as in emerging economies, with industrial countries seeing slower pace. The IMF cites the new administration in the USA and the associated change in economic policy as the key factor. At the same time, the course of the new US administration is associated with uncertainties. Thus, the changed economic orientation could also have disadvantages for the economies of emerging markets.

The Monetary Fund is estimating global growth in 2017 amounting to 3.4 percent (2016: 3.1 percent). In China, the growth rate is anticipated to slow down slightly and expand by 6.5 percent (2016: 6.7 percent). In the United States, economic growth of 2.3 percent is expected (2016: 1.6 percent).

The IMF estimates the economy of the Euro zone to grow by 1.6 percent in 2017. The Institute of World Economy (IfW) is also predicting positive economic development in the Euro zone, driven partly by improved price competitiveness due to the Euro being weaker against the US dollar.

In Germany, the IfW believes that gross domestic product (GDP) will rise by 1.7 percent in the year 2017. The institute cites private consumption and housing construction due to sustained favorable financial conditions as the major influencing factors. In light of good prospects on the sales markets, a significant increase in German exports is expected. The IMF views development more cautiously and is estimating growth in the German economy of 1.5 percent.

Sources: International Monetary Fund (IMF), World Economic Outlook, October 2016 and January 2017; Institute of World Economy (IfW), economic forecast, press release, December 15, 2016

8.2 Market environment for media and entertainment in Germany

PwC is expecting consistent growth of 1.7 percent on average until 2020 for the German entertainment and media industry. In the advertising market, this corresponds to an average increase of 2.5 percent per year.

This is largely caused by a robust revenue development from digital advertising in multiple market segments. The segments of video games and online advertising are also following a considerable upturn, with an annual average growth of +6.6 percent and +6.2 percent respectively until 2020. The highest growth rate by far, with over 10 percent, is seen in the sports sector, in particular as a result of revenues from the marketing of medial exploitation rights for major sports events, especially in the football area, as well as income from shirt sponsoring, outfitter contracts and corporate sponsorship.

The consistently increasing digitalization trend is reflected in the development of the advertising market. The successful implementation of digital revenue models, the rising availability of online content and growing user numbers in particular are drivers of the expected sales increases.

Source: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, "German Entertainment and Media Outlook: 2016 – 2020", October 2016

8.3 Priorities for the 2017 financial year

8.3.1 Segment Sports

Sector-specific general conditions

In its Advertising Expenditure Forecast, the media agency Zenithmedia forecasts a global increase in advertising expenditures by 4.4 percent in 2017, which approximately corresponds to the growth rates seen in 2016. Against the backdrop of the Brexit and the new administration in the USA, this prognosis seems relatively positive, despite the political uncertainty and the increased risk of trade restrictions. Continued increasing advertising investments are also estimated for the following years (2018: +4.4 percent, 2019: +4.1 percent), as the global advertising market seems to have entered into a stable growth phase.

Particularly high worldwide growth rates are expected in the areas of social media advertising and online video advertising. While advertising expenditure in the field of social media is set to rise by 72 percent between 2016 and 2019, from USD 29 billion currently to USD 50 billion, an annual growth of 18 percent is being expected for advertising expenditure in the area of online videos. Overall, the total worldwide volume will thus increase to USD 35.4 billion in 2019.

According to Zenithmedia the global trend in the area of social media is also set to prevail in Germany in the medium-term, and thus will record the highest growth rates in advertising investments. The online video segment in Germany is primarily driven by mobile usage; however growth rates continue to depend on the technical development of mobile devices and are estimated to be somewhat weaker over the medium-term.

The media agency Magna Global (IPG Mediabrands) forecasts growth amounting to 2.1 percent to EUR 20.3 billion for the German advertising market in the 2017 financial year. The digital segment is set to grow by 9.6 percent and TV by 1 percent. With growth rates of 42.8 percent, mobile advertising will be the largest growth driver in the German market; however desktop advertising is expected to decline.

Sources: Zenithmedia GmbH, Press release, December 5, 2016; Magna Global (IPG Mediabrands), www.initiative-media.de – "Ausgesiebt: Sieben Zahlen zu den Mediatrends in 2017", January 11, 2017 & Magna Global (IPG Mediabrands); extracts from HORIZONT.de, December 5, 2016

According to PwC, the pay-TV market in Germany will continue to grow strongly over the coming years, due to the demand for high-quality content and even higher picture quality as well as attractive pricing models for customers. As of 2016, PwC is predicting a further growth in pay-TV households in Germany by 5.4 percent per year to 10 million in 2020.

Source: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, "German Entertainment and Media Outlook 2016 – 2020", October 2016

Despite the sustained low market penetration of 4K devices, which will also only grow gradually in 2017, the market has already begun to focus on 8K. Decentralized production solutions via remote techniques will not fully replace traditional production in the near future, but only will complement it. Today, the market is already facing the challenge of making investment decisions, as the innovative pressure in the field of IP technology will increase. However, it is to be assumed that the complete switch to IP-based workflows still has a few years to go yet. Therefore, flexible, efficient and resource-saving remote production types are being pushed in the sports area in particular, due to growing rights costs and changing viewing habits.

Sources: sportsvideo.org, "SVG Summit: Remote Production Leaders Sound Off on IP, 4K, and Impact of Cord-Cutting", December 20, 2016; giga.de, "8K-Fernseher: Nächste TV-Generation in den Startlöchern", January 4, 2017; sportvideo.org, "Executive Perspectives 2017, Part 1", January 3, 2017.

According to PwC, the focus in 2017 will also continue to be on augmented and virtual reality technologies (AR or VR technologies). While these primarily saw their breakthroughs into the gaming segment in form of VR glasses and 360-degree videos in 2016, there is also a greater potential in the entertainment market. The production market is faced with the challenge of having to handle with new perspectives and narrative styles required in this respect.

Sources: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), "Digital Trend Outlook 2016 – Virtual Reality: Nimmt der Gamingmarkt eine Pionierrolle ein?", August 2016; PwC, "Digital Trend Outlook 2016 – Augmented Reality: Welche Branchen können in Zukunft profitieren?", December 2016.

Priorities

In the 2017 financial year, SPORT1 is also focusing on consistent multimedia content use and distribution. Its focus continues to be on strengthening its portfolio by acquiring attractive new rights, extending existing partnerships and developing new content co-operations and business areas, as well as the cross-platform exploitation and the staging of established program pillars. This includes the Bundesliga and 2nd Bundesliga, UEFA Europa League, ice hockey, motorsports, basketball or darts.

Against the background of the massively increasing digital and cross-platform use of media offers, in the 2017 financial year, Sport1 GmbH will also drive further the digital diversification of the SPORT1 brand and at the same time create new content and marketing environments, such as Addressable TV. The development of new mobile offers, the further intensification of social media activities and the expansion of the video area by way of own apps, own video brand channels or the use of new social media video offers, such as Facebook Live, are the elementary priorities. In addition, the activities include own offers and formats in the eSports area, which is also rapidly growing in Germany.

At PLAZAMEDIA, in 2017, the focus will also include the implementation of extensive and complex live sports productions and non-live formats, the development and further development of innovative production technologies, content management solutions and production-technical content distribution. In the 2017 financial year, alongside the traditional broadcasting activities, priorities particularly will be the further development and development of the digital production activities, products and services – in view of the increasing fragmentation of media distribution channels, e.g. specific OTT or OVP solutions. In this area, sales partnerships with Tata Communications and Comcast Technology Solutions are opening up access to new players and markets. Based on the significantly increased performance capabilities, especially in the digital area, in the 2017 financial year, it is the aim to expand existing business relationships, to add new business areas and customer groups and to create a considerably broader customer basis overall.

In view of the creative media implementation and realization of contents and brands, the premium TV formats area shall be expanded specifically at LEITMOTIF Creators in 2017. The topic of digital transformation adds greater dynamics to the markets in the content marketing area and also adds further growth potential. With its range of services LEITMOTIF Creators is in a very good position to drive forward its customer portfolio in 2017. The independent consulting area launched in early February 2017 under the brand LEITMOTIF Consultants offers companies in the sports and entertainment areas individual and extensive media consulting and communication services. The focus is on building the business relationships for the services of the entire Group.

8.3.2 Segment Film

Sector-specific general conditions

The estimated slight reduction in theatrical market sales in Germany by 0.9 percent per year until 2020 is offset by an estimated increase in TV sales from free-TV and pay-TV of 1.8 percent per year, with subscriber services being the strongest growth segment. This means an improved order situation in in-house/service productions beyond traditional TV. The existing offer enables users to consume moving image content at any time and any place and as such independent of broadcasting schedules. It remains to be seen how extensively streaming services will be used in the future and to what extent media behavior will be individualized and use will be personalized. The growing distribution of mobile, internet-compatible devices will be an additional potential growth market.

Falling revenues in the physical Home Entertainment market are faced with increases in the digital area averaging 17.9 percent. According to estimates, the digital segments TVoD and SVoD will grow by an average of 10.4 percent or 19.2 percent per year until 2020.

Source: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), “German Entertainment and Media Outlook 2016 – 2020”, October 2016

Priorities

In theatrical production/rights acquisition, the Constantin Film group's priority continues to be on the continuous optimization of the persistent high quality of its national and international in-house productions. The aim is to primarily produce titles that are focused on the emotional needs of the audience and that are based ideally on well-known brands and/or have event character. But productions with manageable budgets and a correspondingly manageable audience risk are also of interest if they are conceptually convincing.

As in other market areas, in the theatrical market the audience also tends to focus on fewer titles but consumes these to a greater extent. This results in an increasing pressure on production costs for smaller-scale titles, which cannot be neglected altogether for portfolio reasons.

In the area of theatrical distribution, the Constantin Film group will continue to rely on its tried and tested strategy of combining national and international in-house and co-productions with high-quality third-party titles, which are released to cinemas with an appropriate press and marketing strategy at the most favorable time. Due to the fact that theatrical exploitation and related market launches will continue to be the basis of subsequent exploitation levels, Constantin Film group will focus its product-related strategy. This means that quantities depend on the extent to which promising titles can be produced or acquired.

According to the current status, 16 new releases are planned in the 2017 theatrical year. This comprises one third-party production and 15 in-house and co-productions e.g. including “Resident Evil: The Final Chapter”, “Timm Thaler”, “Jugend ohne Gott”, “Grießnockerlaffäre” and “Fack Ju Göhte 3”.

In the Home Entertainment area a market share slightly below the prior year’s level is expected for the 2017 financial year. The prior year was characterized by the success of “Fack Ju Göhte 2” and of “Look Who’s Back”. It is likely that the performance in 2017 will be due primarily to the marketing of attractive titles such as “Girl on the Train”, “Resident Evil: The Final Chapter” and “Timm Thaler”. In addition, the third part of the successful production “Ostwind” will be released shortly before the end of 2017. The persistent good sales figures for catalog products and the digital sales generated by the Constantin Film group itself are also making a contribution towards positive prospects for the 2017 financial year.

In free-TV exploitation, among others, the productions “Step Up: All In”, “The Hundred-Foot Journey” and “Männerhort” will impact on sales in the first half of 2017. In pay-TV, among others, the productions “Look Who’s Back”, “Fantastic Four 3” and “Fack Ju Göhte 2” will impact on sales.

In the TV service production area, the subsidiaries of Constantin Film AG are continually working on developing innovative TV formats. In addition to conventional service production for German TV channels, the focus is also on generating rights through in-house productions and concept developments as well as by expanding international TV production.

For the coming months, Constantin Film AG is expecting the order situation to further improve in this business area, partly positively impacted by the increasingly aggressive purchasing policy of the major SVoD providers. Therefore, Constantin Film subsidiaries are preparing numerous projects for 2017 including the miniseries “Die Geschichte eines Parfums“ and „Bier Royal“ as well as “Alle meine Frauen“, “Modus – Staffel 2“, “Die Protokollantin“, “Springflut – Season 2“ and „Der Kroatien-Krimi“ Parts 3 and 4).

In the current year, the Constantin Film group is again assuming ratings above the respective network’s average with its TV service productions and the TV exploitation of its theatrical productions.

8.3.3 Segment Sports- and Event-Marketing

Sector-specific general conditions

For 2017, the consultancy company for sponsoring measurement IEG is again expecting an increase in global sponsoring expenditure by 4.5 percent (previous year: 4.7 percent) to USD 62.8 billion (previous year: USD 60.2 billion). IEG again expects the largest percentage increase to be 5.8 percent (previous year: 5.7 percent) again in the Asia/Pacific region, whereas at a growth rate of 4.3 percent (previous year: 4.7 percent – particularly due to the Summer Olympics), Central and South America continues to be on the lower end of expectations. For North America, the world's largest sponsoring market, IEG forecasts an increase by 4.1 percent (previous year: 4.5 percent) to USD 23.2 billion, with around 70 percent of this being used in the sports area. A growth of 4.5 percent is expected for Europe (previous year: 3.9 percent).

Source: IEG, Sponsorship Spending Forecast, January 4, 2017

Priorities

In the current financial year the TEAM group will focus on the best possible global marketing of the TV and sponsorship rights for the UEFA Champions League and the UEFA Europa League (each for the 2018/19 to 2020/21 match periods). Thereby, it is aimed to realize the contractual performance targets agreed with the UEFA as early as possible to get the contract automatically renewed for the 2021/22 to the 2023/24 match cycle.

8.4 Financial targets of Constantin Medien Group

In the **Segment Sports** moderate sales growth can be anticipated for Sport1 GmbH. This is based on a slightly increasing market share in the core target group of males 14 to 49 years since the loss of previous core rights including e.g. “Hattrick Live” and Handball Bundesliga from the second-half of the year can be more than compensated through the expansion of the core time and due to 2017 being a sports year without international major sports events. In the digital area, a sharp increase in the cumulated online and mobile coverage can be assumed due to the optimization of the editorial and functional offer as well as new digital products. In addition, a strong increase in moving image offerings is expected through the expansion and redesign of the video offers. In terms of technical coverage, the Company is expecting a slight rise due to the nationwide distribution of SPORT1 HD via DVB-T2 since March 29, 2017. Due to the loss of non-recurring effects, the moderate sales increase is not able to compensate significantly lower other operating income as well as significantly rising cost of materials, in particular through considerably higher licenses costs. As a result, a slightly lower positive EBIT is assumed in the high single-digit million Euro range.

In the production area, at PLAZAMEDIA, the termination of the production framework contract with Sky Deutschland Fernsehen GmbH & Co. KG as well as Sky Österreich Fernsehen GmbH as of June 30, 2017 results in a significant loss of sales from the second-half of 2017. These sales losses can only be partially offset by new customer business. Due to the additional elimination of non-recurring effects in the other operating income, for the 2017 financial year, considerably decreasing income year-on-year is to be assumed. These can only be partially compensated by savings in the cost of materials and operating expenses as well as the restructuring measures in the personnel area, as already initiated in 2016. As a result, a slightly negative EBIT is anticipated for 2017.

For the 2017 financial year, overall the Management Board anticipates in the Segment Sports slightly decreasing sales compared to the previous year with an EBIT being significantly below the previous year, however still clearly positive.

In the **Segment Film** there are uncertainties regarding the performance of theatrical releases in 2017. Nonetheless, it is assumed that the Constantin Film group will again achieve audiences of more than a million moviegoers in Germany in the current financial year as well. As in previous years, this assumption is supported by the risk-diversifying portfolio effect of an extensive slate. Sales from German theatrical exploitation are expected to increase significantly compared to the previous year. In particular, the comedy "Fack Ju Göhte 3", which will presumably be released in the fall of 2017, has the potential to build on the success of the first two parts. Other candidates with high commercial potential at the box office are "Dieses bescheuerte Herz", "Jugend ohne Gott", and the third part of the success series "Ostwind".

In Home Entertainment, the 2017 exploitation slate will not quite line up with the success of the previous year's slate, which benefited from the exploitation of titles including the theatrical hits "Fack Ju Göhte 2" and "Look Who's Back". As the second season of "Shadowhunters" will be delivered to Freeform and Netflix in the current year, there will be notable financing proceeds from global distribution that will be allocated to Home Entertainment and TV. Overall, however, Home Entertainment proceeds are expected to decline year-on-year.

In TV exploitation/license trading sales will also be lower than in the previous year. This is determined by the start of license periods and the contract volumes of past theatrical slates. As financing proceeds from the global distribution of international in-house productions will be incurred in this area, sales will be significantly below the previous year's level. The commissioning situation in TV service production cannot be assessed conclusively at present.

For the 2017 financial year, overall the Management Board assumes lower sales year-on-year with a result virtually unchanged in the Segment Film.

In the **Segment Sports- and Event-Marketing**, the Euro-based expected sales and earnings targets are unchanged within the current contract agreement for marketing the UEFA Champions League and the UEFA Europa League. It still cannot be estimated to what extent the exchange rate of the Swiss Franc and the Euro will affect sales and earnings.

On the basis of current estimates and the development in the segments including the segments of Highlight Communications AG, the Management Board of Constantin Medien AG is currently assuming Group sales for the 2017 financial year to range between EUR 480 million and EUR 520 million. Considering the holding costs as well as financial expenses and taxes, the Management Board is expecting Group earnings attributable to shareholders to range between EUR 0.5 million and EUR 3.5 million. However, due to the still continuing dispute over the control of the Constantin Medien Group's companies, the various legal disputes as well as the effects of a possible sale of the shares in Sport1 GmbH and Sport1 Media GmbH, a number of uncertainties exist which could affect the expectations for the operational development in the segments and overall the financial targets of the Constantin Medien Group, but cannot yet be finally quantified as of today.

8.5 Financial targets of Constantin Medien AG

As the parent company, Constantin Medien AG is dependent on the development of its operative subsidiaries, which has an effect due to profit transfer agreements and dividend distributions. In addition, amongst others, financing costs impact the Company's annual result. Overall, a forecast of the net assets, financial and earnings position only makes sense based on the Constantin Medien Group. For the 2017 financial year, the Management Board is assuming lower income from profit transfer agreements and dividends. Taking into account the high legal and unchanged high financing costs expected for 2017, for the Constantin Medien AG the Management Board overall is anticipating a net loss in the medium single-digit million Euro range. Constantin Medien AG is also subject to the uncertainties of the Constantin Medien Group mentioned above, which are not yet quantifiable at the present time.

Ismaning, June 29, 2017
Constantin Medien AG

Fred Kogel
Chief Executive Officer

Dr Peter Braunhofer
Chief Financial Officer

Olaf G. Schröder
Chief Operating Officer Sports

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

January 1 to December 31, 2016 in EUR ‘000

	Note	**1/1 to 12/31/2016**	1/1 to 12/31/2015 *
Sales	6.1	**565,669**	481,573
Capitalized film production costs and other own work capitalized	6.2	**111,627**	68,167
Total output		**677,296**	549,740
Other operating income	6.3	**26,180**	31,070
Costs for licenses, commissions and materials		**-49,174**	-45,421
Costs for purchased services		**-216,373**	-191,424
Cost of materials and licenses	6.4	**-265,547**	-236,845
Salaries		**-125,384**	-130,857
Social security		**-16,387**	-16,384
Pension costs		**-2,168**	-2,400
Personnel expenses		**-143,939**	-149,641
Amortization and impairment on film assets	7.1	**-167,848**	-64,934
Amortization/depreciation and impairment on intangible assets and property, plant and equipment	7.2/7.3	**-8,265**	-8,166
Impairment on goodwill	7.2	**0**	0
Amortization, depreciation and impairment		**-176,113**	-73,100
Other operating expenses	6.5	**-78,387**	-80,922
Profit from operations		**39,490**	40,302
Profit from investments in associated companies and joint ventures	7.6	**39**	802
Financial income	6.6	**3,887**	7,639
Financial expenses	6.7	**-22,769**	-20,367
Financial result		**-18,882**	-12,728
Profit before taxes		**20,647**	28,376
Income taxes		**-5,365**	-3,634
Deferred taxes		**-918**	-4,742
Taxes	6.8	**-6,283**	-8,376
Net profit		**14,364**	20,000
thereof non-controlling interests	7.5	**6,090**	7,620
thereof shareholders' interests		**8,274**	12,380

* The prior year figures have been adjusted (see details in note 2 Accounting policies)

January 1 to December 31, 2016

	1/1 to 12/31/2016	1/1 to 12/31/2015
Earnings per share		
Earnings per share attributable to shareholders, basic (in EUR)	**0.09**	0.14
Earnings per share attributable to shareholders, diluted (in EUR)	**0.09**	0.14
Average number of outstanding shares (basic)	**91,369,083**	86,177,507
Average number of outstanding shares (diluted)	**91,369,083**	86,177,507

Consolidated Statement of Comprehensive Income/Loss

January 1 to December 31, 2016 in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Net profit	**14,364**	20,000
Foreign currency translation differences	**139**	2,229
Net gains/losses from a net investment hedge	**60**	-268
Change in fair value of available-for-sale financial assets	**-73**	73
Gains/losses from cash flow hedges	**1,178**	-2,358
Items that probably will be reclassified to profit or loss in subsequent periods	**1,304**	-324
Result from remeasurement of defined benefit plans	**1,760**	698
Items that will not be reclassified to profit or loss in subsequent periods	**1,760**	698
Other comprehensive income/loss, net of tax	**3,064**	374
Total comprehensive income/loss	**17,428**	20,374
thereof non-controlling interests	**7,543**	7,764
thereof shareholders' interests	**9,885**	12,610

Assets

Consolidated Balance Sheet as of December 31, 2016 in EUR '000

	Note	12/31/2016	12/31/2015
Non-current assets			
Film assets	7.1	**118,729**	185,731
Other intangible assets	7.2	**32,317**	33,289
Goodwill	7.2	**48,429**	49,551
Property, plant and equipment	7.3	**9,222**	10,340
Investment property	7.4	**0**	3,048
Investments in associated companies	7.6	**50**	193
Other financial assets	7.7	**428**	4,871
Receivables due from associated companies	11	**0**	4,789
Deferred tax assets	7.12	**2,847**	3,672
		212,022	295,484
Current assets			
Inventories	7.8	**2,576**	3,925
Trade accounts receivable and other receivables	7.9/7.10/7.19	**149,237**	114,953
Receivables due from associated companies	11	**0**	0
Other financial assets	7.11	**192**	323
Income tax receivables		**636**	3,048
Cash and cash equivalents		**104,830**	122,445
		257,471	244,694
Total assets		**469,493**	540,178

Equity/Liabilities

Consolidated Balance Sheet as of December 31, 2016 in EUR ‘000

	Note	12/31/2016	12/31/2015*
Equity	7.13		
Subscribed capital		**93,600**	93,600
Treasury stock		**0**	-7,422
Capital reserve		**-75,283**	93,528
Other reserves		**3,336**	5,254
Other components of equity		**9,346**	7,735
Accumulated gain/loss		**4,527**	-184,329
Shareholders' interests		**8,274**	12,380
Equity attributable to the shareholders		**43,800**	20,746
Non-controlling interests	7.5	**54,314**	36,846
		98,114	57,592
Non-current liabilities			
Financial liabilities	7.17	**63,466**	98,702
Advance payments received	7.18	**14,642**	43,496
Other liabilities		**1,502**	860
Pension liabilities	7.20	**6,204**	10,141
Provisions	7.21	**293**	263
Deferred tax liabilities	7.23	**18,388**	17,468
		104,495	170,930
Current liabilities			
Financial liabilities	7.17	**48,750**	96,333
Advance payments received	7.18	**47,311**	68,130
Trade accounts payable and other liabilities	7.16/7.19	**154,728**	132,857
Liabilities due to associated companies	11	**0**	0
Provisions	7.21	**11,861**	8,750
Income tax liabilities	7.22	**4,234**	5,586
		266,884	311,656
Total equity and liabilities		**469,493**	540,178

* The prior year figures have been adjusted (see details in note 2 Accounting policies)

Consolidated Statement of Cash Flows

January 1 to December 31, 2016 in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Net profit	**14,364**	20,000
Deferred taxes	**918**	4,742
Income taxes	**5,365**	3,634
Financial result	**15,285**	9,456
Profit (-) / loss (+) from investments in associated companies and joint ventures	**-39**	-802
Amortization, depreciation and impairment and write-ups on film assets, intangible assets and property, plant and equipment	**176,113**	73,100
Profit (-) / loss (+) from disposal of film assets, intangible assets and property, plant and equipment	**-1,168**	6
Other non-cash items	**-3,881**	-3,988
Increase (-) / decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities	**-691**	-3,466
Decrease (-) / increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities	**-67,482**	81,431
Dividends received from associated companies and joint ventures	**7**	202
Interest paid	**-7,329**	-7,938
Interest received	**129**	222
Income taxes paid	**-7,102**	-8,261
Income taxes received	**2,687**	652
Cash flow from operating activities	**127,176**	168,990
Change in cash and cash equivalents due to acquisitions of companies/shares in companies, net	**0**	-394
Payments for intangible assets	**-2,670**	-2,194
Payments for film assets	**-96,386**	-111,692
Payments for property, plant and equipment	**-4,180**	-4,123
Payments for financial assets	**-527**	-4,114
Proceeds/payments due to sale of companies/shares in companies, net	**-7,023**	674
Proceeds from disposal of intangible assets and film assets	**27**	188
Proceeds from disposal of property, plant and equipment	**94**	196
Proceeds from disposal of financial assets	**1,504**	0
Cash flow for investing activities	**-109,161**	-121,459

January 1 to December 31, 2016 in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Proceeds from capital increase and from issuance of equity instruments	**0**	0
Payments for purchase of treasury stock	**0**	0
Proceeds from sale of treasury stock	**14,845**	0
Payments for purchase of non-controlling interests	**-3,261**	-21,653
Proceeds from sale of non-controlling interests	**840**	1,414
Repayment and buy-back of non-current financial liabilities	**0**	-1,055
Repayment and buy-back of current financial liabilities	**-79,091**	-32,279
Proceeds from receipt of non-current financial liabilities	**0**	0
Proceeds from receipt of current financial liabilities	**31,265**	56,236
Dividend payments	**-815**	-5,111
Cash flow for financing activities	**-36,217**	-2,448
Cash flow from/for the reporting period	**-18,202**	45,083
Cash and cash equivalents at the beginning of the reporting period	**122,445**	73,748
Change in cash and cash equivalents due to exchange rate movements	**587**	3,614
Cash and cash equivalents at the end of the reporting period	**104,830**	122,445
Change in cash and cash equivalents	**-18,202**	45,083

Consolidated Statement of Changes in Equity

January 1 to December 31, 2016 in EUR '000

	Subscribed capital	Treasury stock	Capital reserve	Other reserves	Foreign currency translation differences
Balance 1/1/2016	93,600	-7,422	93,528	5,254	10,234
Items that probably will be reclassified to profit or loss in subsequent periods					152
Items that will not be reclassified to profit or loss in subsequent periods					
Other comprehensive income/loss	0	0	0	0	152
Net profit/loss					
Total comprehensive income/loss	0	0	0	0	152
Reclassification of prior year's net result					
Capital increase					
Change in treasury stock		7,422	4,458	-1,918	
Dividend payments					
Change in non-controlling interests			3,207		
Offsetting of capital reserve with accumulated gain/loss			-176,476		
Other changes					
Balance 12/31/2016	93,600	0	-75,283	3,336	10,386
Balance 1/1/2015	93,600	-7,422	105,384	13,220	0
IAS 8 adjustment			-42	-7,966	8,852
Adjusted balance 1/1/2015	93,600	-7,422	105,342	5,254	8,852
Items that probably will be reclassified to profit or loss in subsequent periods					1,382
Items that will not be reclassified to profit or loss in subsequent periods					
Other comprehensive income/loss	0	0	0	0	1,382
Net profit/loss					
Total comprehensive income/loss	0	0	0	0	1,382
Reclassification of prior year's net result					
Capital increase					
Change in treasury stock					
Dividend payments					
Change in non-controlling interests			-11,814		
Other changes					
Balance 12/31/2015	93,600	-7,422	93,528	5,254	10,234

Other components of equity								
Net investment hedge	Available-for-sale fiancial assets	Cash flow hedges	Remeasurement of defined benefit plans	Accumulated gain/loss	Shareholders' interests	**Equity attributable to shareholders**	Non-controlling interests	**Total**
-268	61	-1,304	-988	-184,329	12,380	**20,746**	36,846	**57,592**
60	-61	589				**740**	564	**1,304**
			871			**871**	889	**1,760**
60	-61	589	871	0	0	**1,611**	1,453	**3,064**
					8,274	**8,274**	6,090	**14,364**
60	-61	589	871	0	8,274	**9,885**	7,543	**17,428**
				12,380	-12,380	**0**		**0**
						0		**0**
						9,962	4,883	**14,845**
						0	-815	**-815**
						3,207	7,948	**11,155**
				176,476		**0**		**0**
						0	-2,091	**-2,091**
-208	0	-715	-117	4,527	8,274	**43,800**	54,314	**98,114**
0	0	0	0	-179,988	-4,844	**19,950**	42,556	**62,506**
			-1,347	-1,035	1,538	**0**		**0**
0	0	0	-1,347	-181,023	-3,306	**19,950**	42,556	**62,506**
-268	61	-1,304				**-129**	-195	**-324**
			359			**359**	339	**698**
-268	61	-1,304	359	0	0	**230**	144	**374**
					12,380	**12,380**	7,620	**20,000**
-268	61	-1,304	359	0	12,380	**12,610**	7,764	**20,374**
				-3,306	3,306	**0**		**0**
						0		**0**
						0		**0**
						0	-5,111	**-5,111**
						-11,814	-8,425	**-20,239**
						0	62	**62**
-268	61	-1,304	-988	-184,329	12,380	**20,746**	36,846	**57,592**

Notes to the Consolidated Financial Statements

1. General information

The Management Board approved the consolidated financial statements on June 29, 2017 for submission to the Company's Supervisory Board.

1.1 General information about the Group
Constantin Medien AG (HRB: 148760; Munich District Court) as the ultimate group parent company has its registered office in Münchener Straße 101g, Ismaning, Germany. The Company is listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The operational business of the Constantin Medien Group comprises the segments Sports, Film and Sports- and Event-Marketing (see note 9).

1.2 Basis of presentation
The consolidated financial statements of Constantin Medien AG were prepared pursuant to § 315a para. 1 of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of the German Commercial Code. All IFRS/IAS and IFRIC/SIC are applied that were effective as of December 31, 2016. The consolidated financial statements are presented in Euros (EUR), which represent the functional and reporting currency of the Group's ultimate parent company. In general, the amounts are stated in thousands of Euros (EUR '000) unless stated otherwise.

A list of the subsidiaries, joint ventures and associated companies included in the consolidated financial statements is provided in these notes. The effects from first-time consolidation and deconsolidation of subsidiaries, joint ventures and investments in associated companies are shown in the section scope of consolidation (see note 3).

The income statement was prepared according to the nature of expense method. The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies corresponding to the respective business activities. The preparation of the consolidated financial statements is based on historical cost, exceptions are described in the accounting and valuation principles (see note 4).

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported income, expenses, assets, liabilities, contingent liabilities and contingent assets at the reporting date. These estimates and assumptions represent management's best estimate based on historical experience and other factors, including estimates of future events. The estimates and assumptions are continuously reviewed. Changes to estimates are required if the circumstances on which they are based change or new or additional information becomes available. Such changes are recognized in the period in which the estimate was revised. Further details regarding the basis for estimates are separately explained in the notes to the respective balance sheet items (see note 5).

2. Accounting policies

2.1 Change in the presentation of the consolidated statement of equity according to IAS 8
The components of other comprehensive income (OCI) are disclosed for clarity separately from the other reserves in the consolidated statement of changes in equity. The presentation of the previous year's figures in the consolidated statement of changes in equity was adjusted accordingly. In the consolidated balance sheet as at January 1, 2015, these changes result in the following shifts within equity:

Consolidated Balance Sheet as of January 1, 2015 in EUR '000

Equity/Liabilities	Before adjustment	Adjustment	After adjustment
Equity			
Subscribed capital	93,600	0	93,600
Treasury stock	-7,422	0	-7,422
Capital reserve	105,384	-42	105,342
Other reserves	13,220	-7,966	5,254
Other components of equity	0	7,505	7,505
Accumulated loss	-179,988	-1,035	-181,023
Shareholders' interest	-4,844	1,538	-3,306
Equity attributable to the shareholders	19,950	0	19,950
Non-controlling interests	42,556	0	42,556
Total equity	62,506	0	62,506

As these reclassifications have no effect on the net assets, financial position and results of operations, the presentation of a third balance sheet is omitted.

2.2 Change in the presentation of IT costs for digital products according to IAS 8

In financial year 2016, the companies in the Segment Sports have reassigned the IT costs for digital products. The aim of the reassignment was to improve the presentation of individual transactions according to their economic content. The change in resulted in a shift from other operating expenses to the cost of materials and licenses. A direct connection with the own service provision and the inclusion of costs as a significant component in own services are material factors for recognition within cost of materials and licenses. If these criteria are not met, these IT expenses must continue to be reported under other operating expenses. The previous year's figures were adjusted accord-ingly. As a result of the adjustments, the cost of materials and licenses in financial year 2015 is EUR 2,439 thousand higher and other operating expenses are correspondingly lower. As this is an adjustment that does not affect the income statement, there is no impact on the operating result, Group's net profit, earnings per share and the cash flow statement, as well as the opening balance sheet.

2.3 Relevant accounting standards and interpretations applied for the first time

The mandatory first-time adoption of the following relevant accounting standards and interpretations did not materially impact these consolidated financial statements.

Standards / Amendments / Interpretations

	Mandatory application for annual periods beginning on or after:
IAS 1, Presentation of Financial Statements – Disclosure Initiative (Amendment)	1/1/2016*
IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)	1/1/2016*
Annual Improvements to IFRSs 2012-2014 Cycle**	1/1/2016*

* Endorsed by the EU as well as adopted in Germany
** Thereof, the following standards and interpretations are affected: IFRS 5, IFRS 7, IAS 19, IAS 34

Explanation of the amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization

The requirements of IAS 16 have been amended to clarify that a depreciation method based on revenue for property, plant and equipment is not appropriate. In contrast to the strict prohibition of depreciation methods based on revenue for property, plant and equipment the requirements of IAS 38 have been added by a rebuttable presumption: the intangible asset is expressed in relation to revenues (the dominant limiting factor inherent in a intangible asset is the achievement of a revenue threshold); or it must be demonstrated that revenues and the consumption of economic benefits of the intangible assets are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

In the Constantin Medien Group, a strong correlation between sales and the consumption of the economic benefits of film assets can be demonstrated. Accordingly, the revenue-based depreciation method for the capitalized film rights in the Segment Film can be maintained. In addition, there are no revenue-based amortization of intangible assets or property, plant and equipment within the Group.

2.4 Newly issued standards or revised relevant standards and interpretations not yet applied

The Constantin Medien Group waived the early adoption of the following new or revised relevant standards and interpretations, whose application is not yet mandatory for the Constantin Medien AG.

Standards / Amendments / Interpretations

	Mandatory application for annual periods beginning on or after:
IAS 7, Cash Flow Statement – Disclosure Initiative (Amendment)	1/1/2017**
IFRS 9, Financial Instruments	1/1/2018*
IFRS 15, Revenue from Contracts with Customers (including clarifactions)	1/1/2018*
IFRS 16, Leases	1/1/2019**

* Endorsed by the EU as well as adopted in Germany
** Provided that the EU has adopted said standard at this date

IAS 7 Statements of Cash Flows - Disclosure Initiative (Amendment)

The amendments follow the objective of providing a company with information that enables addressees of financial statements to assess changes in financial liabilities. The first-time adoption is for annual periods beginning on or after January 1, 2017; voluntary early adoption is permitted. Since the amendments were published less than one year before the effective date, companies do not have to provide any comparative figures for first-time adoption. In the consolidated financial statements of Constantin Medien AG, this amendment leads to an expanded disclosure without impact on the net assets, financial position and results of operations.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB published the final version of IFRS 9 Financial Instruments. In this version, the results of the phases classification and measurement, impairment and hedge accounting, in which the project to replace IAS 39 Financial Instruments: Recognition and Measurement have been processed, were brought together. The standard replaces all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018. Voluntary early adoption is permitted. The evaluation of the potential impacts of the implementation of IFRS 9 has not yet been completed.

All equity instruments that fall within the scope of IFRS 9 must be recognized in the balance sheet at fair value; changes in value are recognized in the period result. If an equity instrument is not held for trading purposes, an entity may make the irrevocable decision to recognize it at fair value with recognition of changes in other comprehensive income. In this respect, no decision has yet been taken and therefore an estimation of the impact is not yet possible.

In addition, IFRS 9 introduces the expected loss model for the recognition of impairments on financial assets. This means that a risk provisioning must already be recorded before the occurrence of default events on the basis of historical default rates, which must be adjusted on the balance sheet date to reflect current information and expectations. In the future, the new impairment model can lead to an early recognition of impairment losses.

Within the scope of accounting for hedging relationships, there are extensions to designation possibilities; the retrospective effectiveness test no longer applies. In the area of hedging relationships, the effects of the amendments are still in the process of evaluation. In the future, considerably more extensive notes will also result.

Constantin Medien AG will apply IFRS 9 for the first time to the financial year beginning on January 1, 2018. No decision has yet been taken as to whether the use is made of the simplifications in accordance with the transitional provisions of the transition to IFRS 9.

IFRS 15 Revenue from Contracts with Customers (including clarifications)
The objective of IFRS 15 is, to inform users of financial statements about the type, amount, timing and uncertainty of revenues as well as resulting cash flows from a contract with a customer. The core principle will be applied using a five-step conceptual framework:

- Identify the contract with the customer
- Identify the separate performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the separate performance obligations
- Recognize revenue when the entity satisfy a performance obligation

In the Segment Sports, the analysis carried out by Constantin Medien AG resulted that there are no material changes to the previous practice under IAS 18 for the main sources of income – advertising sales TV and the provision of sports production services. In the past, natural discounts according to IFRIC 13 are recorded a deferral of the fair value of the probable premiums earned. Now, according to IFRS 15, the entire transaction price must be divided between the principal and supplementary service in the ratio of their relative (estimated) individual selling prices. The effects on this are only expected to a very limited extent. A significant change in the notes to the financial statements will be the figures for unrecognized sales from outstanding service obligations.

In the Segment Film, the analysis carried out by the subgroup Constantin Film AG revealed that the changes in the total amount of the sales recorded for a customer contract are currently only to be expected to a very limited extent. Changes in the balance sheet, for example, by separate items for contract assets and liabilities, are also expected to be very limited. Furthermore, additional qualitative and quantitative notes will be necessary.

In the Segment Sports- and Event-Marketing, the analyses are still ongoing.

The Constantin Medien Group will retroactively apply the standard for the financial year beginning on January 1, 2018. It is currently being investigated whether the fully retrospective approach or the modified retrospective approach will be applied.

Based on the current status and pre-analyses conducted in the segments Sports and Film (subgroup Constantin Film AG), we assume that the application of the new standard will not have a significant impact on the consolidated financial statements. However, since the analysis of developments and effects with regard to IFRS 15 on the consolidated financial statements and all segments of Constantin Medien AG is not yet finalized at present, no conclusive statements on the quantitative effects of the application of IFRS 15 on the consolidated financial statements are currently available.

IFRS 16 Leases
The standard provides a single accounting model for the lessee. This model leads to the lessee that all assets and liabilities from leasing arrangements are recognized on the balance sheet, provided that the maturity is exceeding 12 months or it is not a low-value asset. The lessor still distinguishes for accounting purpose between operating and finance leases. The new standard will be effective for reporting periods beginning on or after January 1, 2019. Voluntary early application is possible if also IFRS 15 is already applied at this time.

Constantin Medien AG is currently evaluating the possible impact of applying IFRS 16 and will apply the new standard for the first time for the financial year beginning on January 1, 2019. No decision has yet been taken on the alternatives made to the transition – retrospective or modified retrospective. In addition, the analysis is ongoing to which extend the options and exemptions provided for in the standard are used. The Constantin Medien Group expects the balance sheet total – non-current assets and financial liabilities – to increase as a result of the recognition of leasing agreements for buildings, vehicles and other assets and thus reducing the equity ratio. In addition, the operating result changes, since costs, which were reported as rental expenses in the past, are now recognized as interest expenses in the financial result, but the depreciation on the rights of use assets of leasing agreements is reflected in the operating result. In addition, there are also significantly more detailed specifications in the notes.

3. Changes in the scope of consolidation

3.1 Desinvestments

On February 3, 2016, Highlight Communications AG has sold the fully consolidated 75.374 percent subsidiary Highlight Event and Entertainment AG (Segment Other Business Activities), including its subsidiaries Highlight Event AG and Escor Automaten AG, for EUR 16,436 thousand to Mr Bernhard Burgener. The sales price consisted of a cash consideration of EUR 4,164 thousand and 2,200,000 bearer shares of Highlight Communications AG held by the buyer in the equivalent of EUR 12,272 thousand. The cash inflow of EUR 4,164 thousand was offset by a cash outflow from divested cash and cash equivalents of EUR 11,174 thousand. From the deconsolidation a gain of EUR 2,590 thousand was realized in the first quarter 2016, which is recognized in other operating income (Segment Other Business Activities). Thereof, EUR 1,355 thousand are accounted for earnings attributable to shareholders. The net assets at the time of the sale amount to EUR 18,564 thousand and, in addition to the goodwill (EUR 1,486 thousand) include essentially the investment property (EUR 2,967 thousand), trade accounts receivable and other receivables (EUR 3,996 thousand), cash and cash equivalents (EUR 11,174 thousand) and pension liabilities (EUR 981 thousand). To the date of disposal EUR 92 thousand positive foreign currency translation differences were reclassified from equity to income.

On March 31, 2016, Highlight Communications AG has sold the fully consolidated 50.004 percent subsidiary Pokermania GmbH (Segment Other Business Activities) for EUR 1 to the co-partner. The cash inflow of EUR 1 is offset by a cash outflow from divested cash and cash equivalents of EUR 6 thousand. From the deconsolidation a gain of EUR 1,497 thousand was realized in the first quarter 2016, which is recognized in other operating income. In the first quarter 2016, an expense of EUR 2,878 thousand, which is included in other operating expenses, was recorded due to impairment on remaining loans. Total expenses of EUR 1,381 thousand incurred with the sale of Pokermania GmbH (Segment Other Business Activities). Thereof, EUR 909 thousand are accounted for earnings attributable to shareholders. The net assets at the time of the sale amount to EUR -3,000 thousand and include essentially cash and cash equivalents (EUR 6 thousand), other assets (EUR 8 thousand) as well as liabilities due to Rainbow Home Entertainment AG (EUR 2,885 thousand) and other liabilities (EUR 129 thousand).

On February 28, 2016, Highlight Communications AG has sold the associated company Paperflakes AG plus the loans granted to this company for EUR 1,350 thousand to Highlight Event and Entertainment AG. The purchase price was remunerated in cash. From the deconsolidation a gain of EUR 26 thousand was realized in the first quarter 2016, which is recognized in profit from investments in associated companies and joint ventures. Thereof, EUR 17 thousand are accounted for earnings attributable to shareholders.

On February 28, 2016, Highlight Communications AG has sold the associated company Holotrack AG plus the loans granted to this company for EUR 1,773 thousand and the other investment Pulse Evolution Corporation plus the loans granted to this company for EUR 2,050 thousand to Highlight Event and Entertainment AG. The purchase price for these two sales was remunerated by offsetting a receivable of Highlight Event and Entertainment AG in the amount of EUR 3,667 thousand and a cash payment of EUR 156 thousand. From the deconsolidation of the associated company a gain of EUR 8 thousand was realized in the first quarter 2016, which is recognized in profit from investments in associated companies and joint ventures. Thereof, EUR 5 thousand are accounted for earnings attributable to shareholders. The sale of Pulse Evolution Corporation was carried out at the carrying amount.

On March 31, 2016, Highlight Communications AG has sold the associated company Kuuluu Interactive Entertainment AG for EUR 1 to Highlight Event and Entertainment AG. From the sale of the company, including the expense from impairment on loans, a loss of EUR 1,860 thousand resulted in the first quarter 2016, which is recognized in financial expenses. Thereof, EUR 1,225 thousand are accounted for earnings attributable to shareholders.

On December 31, 2016, Highlight Communications AG has sold the fully consolidated 56.665 percent subsidiary Comosa AG (Segment Sports- and Event-Marketing) for EUR 1 to Highlight Event and Entertainment AG. The cash inflow of EUR 1 is offset by a cash outflow from divested cash and cash equivalents of EUR 7 thousand. From the deconsolidation a gain of EUR 1,205 thousand was realized in the fourth quarter 2016, which is recognized in other operating income. In the fourth quarter 2016, an expense of EUR 1,221 thousand, which is included in other operating expenses, was recorded due to impairment on remaining loans. Total expenses of EUR 16 thousand (Segment Sports- and Event-Marketing) incurred with the sale of Comosa AG. Thereof, EUR 11 thousand are accounted for earnings attributable to shareholders. The net assets at the time of the sale amount to EUR -2,162 thousand and include essentially intangible assets (EUR 560 thousand), trade accounts receivable and other receivables (EUR 25 thousand), cash and cash equivalents (EUR 7 thousand) as well as liabilities due to Rainbow Home Entertainment AG (EUR 1,242 thousand) and trade accounts payable and other liabilities (EUR 1,531 thousand). As part of the divestment of Comosa AG, Highlight Event and Entertainment AG agreed on a debtor warrant in the amount of EUR 523 thousand. The Group assumes that the conditions set out therein are met and has capitalized the debtor warrant accordingly.

3.2 Investments

On November 30, 2016, Constantin Film AG acquired the remaining interest of 24.5 percent in the already fully consolidated Moovie GmbH, Berlin, and increased its share to 100 percent through this transaction. It is a transaction between equity holders. As a result of the transaction, the capital reserve decreased by EUR 10 thousand compared to December 31, 2015, and the non-controlling interests decreased by EUR 490 thousand.

On November 30, 2016, Rainbow Home Entertainment AG increased its interest in the fully consolidated Mood Factory AG, Pratteln, from 52 percent to 100 percent. This is a transaction between equity holders, which led to a reduction in the capital reserves of EUR 115 thousand and an increase of EUR 71 thousand in non-controlling interests.

3.3 Other changes

On September 12, 2016, the fully consolidated Constantin Sport Medien GmbH was liquidated. The effects on these consolidated financial statements are immaterial.

In the reporting year, the fully consolidated companies Kontraproduktion AG, Constantin Entertainment AG and Mood Factory AG were merged into Constantin Film und Entertainment AG. In addition, Constantin International B.V. was merged into Constantin Filmverleih GmbH. Furthermore, Constantin Family GmbH was renamed Constantin Film Production Services GmbH and Constantin Film Schweiz AG to Constantin Film und Entertainment AG. These transactions did not affect the consolidated financial statements.

3.4 Overview of fully consolidated companies

Königskinder Music GmbH, Munich, in which Constantin Film AG holds a 50 percent interest, is fully consolidated on the basis of de facto control. Because the two managing directors of this company are related parties of Constantin Film AG, Constantin Film AG has the current ability to direct the relevant activities of the affiliated company. Constantin Film AG is also exposed to the variable returns from this company and can use its power through the two managing directors to significantly affect the variable returns.

Concerning the full consolidation of Highlight Communications AG refer to note 4.1.

The following table shows an overview of the fully consolidated companies.

Overview of fully consolidated subsidiaries at December 31, 2016

	Location of the company	**Shareholding in capital in %**	Period of inclusion
Constantin Sport Holding GmbH[1]	Ismaning	**100.00**	1/1 to 12/31
Sport1 GmbH	Ismaning	**100.00**	1/1 to 12/31
Sport1 Gaming GmbH	Ismaning	**100.00**	1/1 to 12/31
PLAZAMEDIA GmbH[1]	Ismaning	**100.00**	1/1 to 12/31
PLAZAMEDIA Austria Ges.m.b.H.	Vienna/Austria	**100.00**	1/1 to 12/31
PLAZAMEDIA Swiss AG	Pratteln/Switzerland	**100.00**	1/1 to 12/31
LEITMOTIF Creators GmbH[1]	Ismaning	**100.00**	1/1 to 12/31
Sport1 Media GmbH[1]	Ismaning	**100.00**	1/1 to 12/31
Highlight Communications AG[4]	Pratteln/Switzerland	**60.53**	1/1 to 12/31
Team Holding AG	Lucerne/Switzerland	**100.00**	1/1 to 12/31
Team Football Marketing AG	Lucerne/Switzerland	**95.27**	1/1 to 12/31
T.E.A.M. Television Event And Media Marketing AG	Lucerne/Switzerland	**100.00**	1/1 to 12/31
Rainbow Home Entertainment AG	Pratteln/Switzerland	**100.00**	1/1 to 12/31
Constantin Film und Entertainment AG (formerly Constantin Film Schweiz AG)	Pratteln/Switzerland	**100.00**	1/1 to 12/31
Rainbow Home Entertainment Ges.m.b.H.	Vienna/Austria	**100.00**	1/1 to 12/31
Highlight Communications (Deutschland) GmbH	Munich	**100.00**	1/1 to 12/31
Constantin Film AG	Munich	**100.00**	1/1 to 12/31
Constantin Media GmbH audiovisuelle Produktionen[1]	Munich	**100.00**	1/1 to 12/31
Constantin Film Produktion GmbH[1]	Munich	**100.00**	1/1 to 12/31
Constantin Television GmbH[1]	Munich	**100.00**	1/1 to 12/31
Constantin Film Services GmbH[1]	Munich	**100.00**	1/1 to 12/31
Constantin Film Development Inc.	Los Angeles/USA	**100.00**	1/1 to 12/31

Overview of fully consolidated subsidiaries at December 31, 2016

	Location of the company	Shareholding in capital in %	Period of inclusion
Constantin Film International GmbH[1]	Munich	**100.00**	1/1 to 12/31
Constantin Pictures GmbH[1]	Munich	**100.00**	1/1 to 12/31
Constantin Entertainment GmbH[1]	Ismaning	**100.00**	1/1 to 12/31
Constantin Entertainment Polska Sp. z o.o.	Warsaw/Poland	**100.00**	1/1 to 12/31
Constantin Entertainment Croatia d.o.o.	Zagreb/Croatia	**100.00**	1/1 to 12/31
Constantin Entertainment Hellas EPE[5]	Athens/Greece	**100.00**	1/1 to 12/31
Constantin Entertainment SRB d.o.o.	Belgrade/Serbia	**100.00**	1/1 to 12/31
Constantin Entertainment Israel Ltd.	Tel Aviv/Israel	**75.00**	1/1 to 12/31
Constantin Entertainment Hungary Kft.	Budapest/Hungary	**100.00**	1/1 to 12/31
Constantin Entertainment Bulgaria EOOD	Sofia/Bulgaria	**100.00**	1/1 to 12/31
Constantin Entertainment RO SRL[2]	Bucharest/Romania	**100.00**	1/1 to 12/31
Constantin Entertainment CZ s.r.o.	Prague/Czech Republic	**100.00**	1/1 to 12/31
Constantin Entertainment Slovakia s.r.o.[3]	Bratislava/Slovakia	**100.00**	1/1 to 12/31
Olga Film GmbH	Munich	**95.52**	1/1 to 12/31
Moovie GmbH	Berlin	**100.00**	1/1 to 12/31
Rat Pack Filmproduktion GmbH	Munich	**51.00**	1/1 to 12/31
Westside Filmproduktion GmbH	Krefeld	**51.00**	1/1 to 12/31
Constantin Film Verleih GmbH[1]	Munich	**100.00**	1/1 to 12/31
Constantin Film Licensing Lda[6]	Funchal/Portugal	**100.00**	1/1 to 12/31
Constantin Music Verlags-GmbH[1]	Munich	**100.00**	1/1 to 12/31
Constantin Music GmbH[1]	Munich	**90.00**	1/1 to 12/31
Constantin Film Production Services GmbH (formerly Constantin Family GmbH)[1]	Munich	**100.00**	1/1 to 12/31
Königskinder Music GmbH	Munich	**50.00**	1/1 to 12/31
Nadcon Film GmbH	Cologne	**51.00**	1/1 to 12/31
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	Munich	**100.00**	1/1 to 12/31

[1] Companies, which claim the disclosure option under § 264 (3) of the German Commercial Code (HGB)
[2] The company is held with a shareholding of 0.1% by Constantin Film Produktion GmbH
[3] The company is held with a shareholding of 3.0% by Constantin Film Produktion GmbH
[4] Taking into account the treasury shares held by Highlight Communications AG, the capital share amounted to 60.59%. The companies in which Highlight Communications AG is holding shares, are to be calculated with a shareholding of 60.53%
[5] The company is held with a shareholding of 0.2% by Constantin Film Produktion GmbH
[6] The company is held with a shareholding of 50% by Constantin Film AG

3.5 Overview of non-consolidated companies

Due to absence of business activities the following subsidiaries are individually and collectively of immaterial significance for a true and fair view of the Group's net assets, financial position and results of operations. Therefore, these companies are not included in the scope of consolidation of Constantin Medien AG. The non-consolidated investments are carried at a book value of EUR 0 thousand (2015: EUR 0 thousand). The companies are currently inactive and have no operations. The assumed fair value corresponds to the carrying amount.

Non-consolidated companies at December 31, 2016

	Location of the company	Currency	Share capital in EUR '000	Shareholding in capital in %
Impact Pictures LLC*	Delaware/USA	USD	1	51.00
T.E.A.M. UK**	Reading/UK	GBP	0	100.00

* Investment of Constantin Pictures GmbH
** Investment of T.E.A.M Television Event and Media Marketing AG

3.6 Overview of interests in joint ventures

The following associated companies are accounted for at equity in the financial statements. A presentation of the financial information of the associated companies can be found in note 7.6.

Associated companies at December 31, 2016

	Location of the company	Share capital in EUR '000	Period of inclusion	Currency
BECO Musikverlag GmbH*	Hamburg	50.00	1/1 to 12/31	EUR

* This deals with the figures as of December 31, 2015, because the financial statements 2016 are not yet available.

4. Summary of significant accounting and valuation methods

The accounting and valuation as well as the preparation of the annual separate/consolidated financial statements were carried out under the principle of going concern. For meeting short-term financial liabilities the Management Board has concluded corresponding alternative financing arrangements and is also reviewing corresponding alternative financing arrangements for medium-term financial liabilities which have not yet been completed. The Company also has sufficient free assets, which can also be used through sale to secure financing and liquidity. For further details, please refer to the supplementary presentation in the risk report, chapter 7.6.

4.1 Consolidation methods

All significant subsidiaries are fully consolidated in the consolidated financial statements. Subsidiaries are entities in which Constantin Medien AG can directly or indirectly exercise control. Constantin Medien AG controls an investee if and only if the Group has:

- power over the investee,
- exposure, or rights, to variable returns from its involvement with the investee and
- the ability to use its power over the investee to affect its returns.

Constantin Medien AG continuously reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Constantin Medien AG holds 28,600,000 bearer shares respectively 60.53 percent voting rights in Highlight Communications AG. Thereof, 24,752,780 bearer shares have been pledged as collateral for a loan from Stella Finanz AG for several years. In May 2016, Stella Finanz AG stated for the first time that through this pledge of these shares they are also entitled to the corresponding voting rights. Stella Finance AG refused an agreed termination of the loan - repayment of the loan and surrender of the pledged shares - as of June 30, 2016 (for details, see note 7.16 as well as in the combined Group management and management report under chapter 7.2.5). In addition, in contrast to previous years, Stella Finanz AG has refused to provide the necessary deposit confirmation of Constantin Medien AG for the pledged 24,752,780 bearer shares for a proper registration to the Annual General Meeting of Highlight Communications AG on December 30, 2016. As a result, Constantin Medien AG was only able to participate in this General Meeting with only 3,847,220 bearer shares (approximately 8.1 percent of the voting rights) and therefore did not achieve its interests as the majority shareholder as planned in key areas such as the election of the members of the Board of Directors.

Constantin Medien AG has initiated the challenge of individual resolutions by the aforementioned General Meeting by letter dated February 28, 2017 within the prescribed period. In the meantime, the action for annulment has been granted.

The Management Board and Supervisory Board of Constantin Medien AG assume that the termination of the loan and the issuance of the pledged Highlight Communications shares can be achieved in 2017, if necessary in legal proceedings.

Although IFRS 10 “Consolidated Financial Statements” does not explicitly regulate this exceptional case – a shareholder is prevented from exercising voting rights – a full consolidation of Highlight Communications AG has to be made as of December 31, 2016. A deconsolidation as of December 31, 2016 and the timely first-time consolidation are contrary to several principles from the IFRS framework.

In the consolidated financial statements information has to be reported and presented according to its actual economic content and not solely according to the legal structure (principle substance over form). Moreover, a deconsolidation and a first-time consolidation within a short period of time would not provide a true picture of the net asset, financial position and results of operation of the Constantin Medien Group. On the basis of this, and in particular on the basis of the termination to be reached with Stella Finanz AG in 2017, the Management Board of Constantin Medien AG is of the opinion that a full consolidation of Highlight Communications AG is still required as of December 31, 2016. Further explanations regarding full consolidation are disclosed in note 5.

When Constantin Medien AG has less than majority of the voting rights or similar rights of an investee, Constantin Medien AG considers all relevant facts and circumstances in assessingwhether it has power over and investee, including:

- a contractual arrangement with other vote holders of the investee,
- rights arising from other contractual arrangements,
- potential voting rights held by Constantin Medien AG, other vote holder or other parties and
- any additional facts and circumstances indicating that Constantin Medien AG currently has the ability to determine the relevant business activities at the time that decisions need to be made, including voting patterns at previous annual general meetings or general assemblies.

Structured entities are included in the consolidated financial statements if the Group controls the structured entity on the basis of the nature of the relationship.

The first-time capital consolidation is carried out by offsetting the acquisition costs (consideration rendered) of the investment against the revalued proportionate equity share in the subsidiary at the date of acquisition. For this purpose, assets and liabilities (including contingent liabilities) are stated at their fair values regardless of the amount of any non-controlling interests in equity. Incidental acquisition costs are expensed in the period incurred. In the case of an acquisition in stages, shares held before control is obtained must be recognized at fair value and added to the consideration at the time of acquisition. Profit or loss resulting from this revaluation must be recognized in the income statement. The remaining positive difference amount is recognized as goodwill, which is subject to an annual impairment test or tested whenever triggering events for impairment arise. Any impairment loss arising from this is immediately expensed. Any negative difference arising from capital consolidation following a reassessment is reported in full as income in the year incurred. For each business combination the acquirer can elect to measure non-controlling interests either at fair value (full goodwill method) or at the non-controlling interests proportionate share of the identifiable net assets (partial goodwill method).

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associated company is an entity over which Constantin Medien AG has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those decisions.

The investments in joint ventures and associated companies are accounted for using the equity method. The investments are recognized at their acquisition costs at the acquisition date. Any eventually identified goodwill is included in the net carrying value and is not separately recognized. The earnings of the joint ventures and the associated companies are recognized by the Group on a proportionate basis and are attributed to the investment's net carrying value. Profit distributions from these companies reduce the investment’s net carrying value. If triggering events for impairment arise, those are recognized as an expense. Changes recognized directly in the equity of the joint ventures and associated companies are recognized by the Group to the extent of its share and are shown in changes in consolidated equity. In the financial statements of the joint ventures and associated companies directly in the other comprehensive income (OCI) recorded items (e.g. translation differences) are in the consolidated financial statements shown as a separate item within other comprehensive income (OCI).

Companies are deconsolidated when the exercise of control ceases. Deconsolidation represents a disposal of all assets including goodwill and liabilities as well as differences arising from foreign currency translation attributable to the subsidiary. Income and expenses incurred up to this point continue to be included in the consolidated financial statements.

Non-controlling interests represent the share of the result and net assets of the subsidiary not attributable to the share holders of the parent company. Non-controlling interests are reported separately in the consolidated income statement, consolidated statement of comprehensive income and in the consolidated balance sheet. The disclosure in the consolidated balance sheet within the equity is separately from the equity attributable to shareholders of the parent company.

The effects from transactions with non-controlling interests that do not result in a loss of control are recognized directly in equity as transactions with equity holders. However, a transaction resulting in a loss of control, the resulting gain or loss is recognized in the income statement. The gain or loss also contains the effects from the remeasurement of retained interests at fair value.

4.2 Currency translation

Functional currency

The functional currency of Constantin Medien AG as well as the Group's reporting currency is the Euro. For a large part of the companies the local currency is the respective functional currency.

Translation of foreign currency transactions and balances

Transactions in currencies that are not the functional currency of the respective consolidated company are recognized by the Company using the exchange rate applicable of the transaction date. Monetary assets and liabilities are translated at the balance sheet date using closing rates. Foreign currency differences between transaction and payment rate are recognized under other operating income or expenses, if they are associated with business operations; otherwise exchange differences are recognized in the financial result.

An exception arises for gains and losses from qualifying cash flow hedges and from monetary items which from a business perspective are a component of the net investment in a foreign operation of the Group. Such gains and losses are recognized in other comprehensive income (OCI). Translation differences from non-monetary financial instruments held for sale are also recognized directly in other comprehensive income (OCI). Translation differences from monetary financial instruments held for sale are recognized as changes in fair value without impacting profit or loss.

Foreign currency translation within the Group

Balance sheet items of foreign subsidiaries with a functional currency other than the Euro are translated according to the functional currency method at average closing rates as of the balance sheet date and the profit and loss items are translated at annual average exchange rates. Goodwill and fair value changes from purchase price allocation denominated in a functional currency other than the Euro currency are also translated at the rate as of the balance sheet date. The differences arising from this and from foreign currency translation of prior year amounts brought forward are recognized directly in other comprehensive income (OCI). On disposal of a foreign Group company, accumulated translation differences from the translation of assets and liabilities of the consolidated company which were recorded in the Group's other comprehensive income (OCI) are recognized as part of the gain or loss from the sale of the company in the income statement.

4.3 Fair value measurement

The Group evaluates its financial instruments, including derivatives, and non-financial assets or liabilities that are measured at fair value, at each reporting date. In addition, fair values of non-current financial instruments measured at amortized cost are disclosed in note 8.

The fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principle market (market with the greatest volume) for the asset or liability. In the absence of a principle market, it will be assumed that the most advantageous market will be used for measuring fair value. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participant act in their economic best interest.

The assessment of the non-performance risk of the counterparties is based on the evaluation scheme by Standards & Poors (AAA - CCC). The default risk is determined by a percentage of each rating category. The own rating is determined by a peer group model approach. The third party credit risk is used in measuring financial assets and derivative financial instruments. The own credit risk is reflected in the measurement of debt instruments as well as derivative financial instruments.

The fair value measurement of non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For measurement of non-financial instruments as well as its own equity instruments, it must be assumed that the instrument would be transferred to a different market participant. An exit scenario is assumed. When a quoted price for the transfer of an identical or a similar liability or entity's own equity instrument is not available, an entity shall measure the fair value of the instruments from the perspective of a market participant that hold the identical item as an asset.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or whose fair value disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurement as whole:

– Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
– Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
– Level 3: Inputs that are not observable for the asset or liability

The determination of the fair value of non-current financial instruments measured at amortized cost for the disclosure in the notes is determined by discounting the expected future cash flows for financial instruments with comparable terms and maturity at currently applicable interest rates, unless a level 1 measurement is possible. The determination of the matching market interest rate is performed at each reporting date.

For assets and liabilities that are recognized on a recurring basis at fair value, the Group determines whether transfers have occurred between levels in the fair value hierarchy by reassessing categorization, based on the lowest level input that is significant to the fair value measurement as a whole, at the end of each reporting period.

Information about the used valuation techniques and inputs for measuring the fair value of assets and liabilities are disclosed in notes 6, 7 and 8.

4.4 Film assets

Film assets include both acquired rights in third-party productions (i.e. films not produced by the Group) and production costs for films produced within the Group (in-house and co-productions) as well as costs for developing new projects. The acquisition of rights to third-party productions typically includes theatrical, home entertainment and TV rights.

The costs for third-party productions generally include minimum guarantees. The individual payments of the minimum guarantee are recognized as advance payments received and capitalized as film assets upon delivery and acceptance of the materials.

In-house productions are stated at their production costs. Production costs also include financing costs attributable to the respective production. In addition, costs for releasing the film, such as media relations and marketing expenses, which are not recognized as assets but included in other operating expenses.

Film rights (both third-party and in-house productions) are amortized on the basis of a unit of production method, which shows the consumption of film rights as a factor of the revenues that can be achieved. According to the so-called individual film forecast method, a film title is amortized in the period on the basis of a quotient “revenues generated from the film in the period divided by estimated remaining total revenues generated by the film multiplied by the residual carrying value of the film”. The revenues used in calculating amortization includes all income generated by the film. With respect to home entertainment revenues, amortization is based on external sales revenues adjusted by home entertainment costs. For films accounted for as film assets by the Constantin Medien Group, the maximum period for estimating revenues is ten years.

The estimation of total revenues is reviewed at the end of each quarter and adjusted, if necessary. The quotient for the amortization charge is determined on the basis of any adjusted total revenue. Impairment tests are conducted for each film at each reporting date as well as when triggering events arise. If acquisition cost or the carrying value of a film is not covered by estimated total revenues less release costs to be incurred, a write-down is made to the value in use. In determining the value in use, the estimated cash flows are discounted by an individual interest rate that takes into account the periods of the various degrees of exploitation. Estimated cash flows can vary significantly due to a number of factors, such as market acceptance. The Group examines and revises sales forecasts and amortization expenses as soon as changes arise in the previous forecast data used.

Capitalized costs for the development of new projects (in particular screenplay/script rights) are regularly reviewed as to whether they can still be used as a basis for film productions. If, after three years of initial capitalization of project costs, the start of shooting or sale of rights is not yet reliably measurable, the costs are fully written-down. In case of a premature impairment, an impairment charge is recognized accordingly.

4.5 Other intangible assets

This category essentially includes EDP programs and intangible assets realized as part of purchase price allocations that are stated at cost less scheduled straight-line amortization and impairment charges. Further additional details can be found under the section impairment of non-financial assets (see note 4.8). Amortization of EDP programs is usually based on the operating life or the normal useful life of three to six years.

The brand name “Constantin” is recorded as an intangible asset with an indefinite useful life. This asset is not subject to scheduled amortization, but is instead tested for impairment once a year as of December 31 and during the year if triggering events should arise.

The development costs of individual projects are capitalized as internally generated intangible assets if the following capitalization criteria are met cumulatively:

- Evidence that completion can be implemented technically
- Intention of completion
- Possibility of future use
- Future flow of economic benefits
- Availability of adequate technical, financial and other resources
- Ability to reliably determine the costs to be allocated to the intangible asset that are incurred during development

Development costs that do not meet these criteria are expensed as incurred.

Internally generated intangible assets are carried at amortized acquisition or production costs. Capitalized production costs are amortized over the useful life as soon as the development stage is complete and the asset can be used. The amortization period is measured based on the asset's economic useful life and is between two and six years. However, not capitalized development costs must be recognized in profit or loss when they are incurred.

Customer relationships identified as part of the purchase price allocations are also reported under intangible assets. The carrying value corresponds to the fair value at the time of acquisition less necessary depreciation.

4.6 Goodwill

Goodwill is recognized at acquisition cost less any accumulated impairment losses. The acquisition costs of goodwill are measured as the sum of:

i. the fair value of the consideration transferred at the acquisition date;
ii. the amount of any non-controlling interests; and
iii. in a business combination achieved in stages, the fair value of the acquirer's previously-held equity interest in the company acquired less the net of the amounts of the identifiable assets acquired and the liabilities and contingent liabilities measured at fair value.

Non-controlling interests can be measured on a transaction-by-transaction basis, either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the net assets of the company acquired (partial goodwill method). In the latter case, goodwill is measured only on the acquirer's percentage share of the goodwill amount. Additions to goodwill are allocated to the respective cash-generating units from which the use of benefits from the business combination is expected to be derived. The cash-generating units to which goodwill is allocated represent the organizational units below the segments.

4.7 Property, plant and equipment

Property, plant and equipment comprises leasehold improvements, technical equipment and machinery, other equipment, plant and office equipment as well as advance payments and assets under construction.

Leasehold improvements are recognized at acquisition cost less scheduled depreciation or impairment loss. Scheduled depreciation is usually determined on the duration of the lease of up to 27.5 years. Technical equipment as well as plant and office equipments are recognized at acquisition cost less scheduled depreciation or impairment loss. Scheduled depreciation is determined on a straight-line basis over the estimated useful life of between 3 and 14 years. Repairs and maintenance costs are expensed on the date incurred.

Extensive renovations or leasehold improvements are capitalized. Renovations are also depreciated over the aforementioned estimated useful life. In case of disposal of an asset, the acquisition cost and related accumulated depreciation is derecognized. The gain or loss arising from disposal is recognized in the financial year in profit and loss. If the acquisition costs of certain components of property, plant and equipment are material, then these components are separately accounted for and depreciated.

4.8 Impairment of non-financial assets

Goodwill on the level of cash-generating units and intangible assets with an indefinite useful life are tested once a year for impairment and during the financial year if triggering events indicate possible impairment. The annual impairment test is performed by Constantin Medien AG as of December 31 of the respective financial year. Other intangible assets and property, plant and equipment are subject to impairment testing if there is any indication that an asset may be impaired. Evidence for impairment would be a material fair value reduction of an asset, significant changes in the business environment, substantial indication of obsolescence or changes in revenue forecasts. The basis for the impairment test is the calculation of the recoverable amount, which is the higher value of the fair value less costs to sell and the value in use of an asset. If the calculation of the recoverable amount is made in the form of its value in use, corresponding future cash flows are used. Where the recoverable amount is below the carrying value an impairment loss shall be recognized.

Where the calculated impairment amount exceeds the goodwill attributable to the cash-generating unit, the unit's other assets shall be written-down in relation to their carrying values. This does not apply if the respective carrying value would consequently fall below the higher of the fair value less costs to sell or value in use.

Regarding intangible assets, except for goodwill, and property, plant and equipment, reversals of impairment losses recognized in prior periods are to be reported if the reason for impairment no longer exists. If reversals arise, the write-up amount is recognized in profit or loss up to a maximum of the theoretical amortized cost.

4.9 Inventories

Inventories, in particular consisting of DVDs and Blu-rays, are recognized at acquisition or production costs or the lower net realizable value (sales-oriented, valuation at net realizable value) in accordance with the lower of cost or market value principle. The net realizable value is the estimated sale price in the ordinary course of business less selling costs. Acquisition or production costs are determined by the first-in, first-out method (FIFO). Write-downs to goods are determined on the basis of coverage analyses. Accordingly, management analyzes each product based on the historical movements and on products on hand for any indication of impairment. Should indications of impairment for individual products arise, then such items are written-down. Further valuation allowances are recognized for damaged or defective goods.

Inventories contain service productions in development that have not yet been ordered by a broadcaster (see note 4.16). In addition, inventories include goods and services not yet invoiced.

4.10 Financial instruments

Management classifies financial assets at the time of acquisition and reviews this classification at regular intervals to determine whether the criteria for classification are still met. In general, the acquisition costs include transaction costs. In respect of financial assets at fair value through profit and loss transaction costs are expensed as incurred. The customary purchase or sale of financial assets is generally recognized at the settlement date.

Financial assets and financial liabilities are typically presented without offsetting. They are only offset when there is a right to offset the recognized amounts at the present and it is intended to settle on a net basis.

Financial assets available-for-sale

This category primarily comprises financial assets not classifiable in other categories as well as investments in shell companies without operating activities. They are measured at fair value. Any gain or loss arising from measurement at the reporting date is recognized directly in other comprehensive income (OCI) except for impairment losses.

The effects of the currency translation of monetary items are recognized in income statement. Whereas on the other hand the effects of currency translations of non-monetary items together with the change in fair value are recognized in other comprehensive income.

Recognition to profit or loss only occurs upon derecognition of such financial assets through the release of these equity items. Where an active market does not exist or no longer exists, the fair value of the financial instruments is determined on the basis of comparable market transactions or using recognized valuation methods.

Financial investments in equity instruments where a quoted price does not exist on an active market and its fair value cannot be reliably measured are recognized at acquisition costs. At each reporting date or if any indication (such as the individual customer creditworthiness, current industry-specific economic trends, the analysis of historical bad debts and disappearance of an active market for financial assets) exists that an asset may be impaired, it is assessed whether an impairment of financial assets is necessary. If value adjustments are taken on such financial instruments, such value adjustments may not be reversed.

Impairment of available-for-sale debt instruments are reversed through profit or loss in subsequent periods, if the reason for impairment no longer exists. Subsequent changes in the fair value are recognized directly in other comprehensive income (OCI). Impairment of equity instruments available-for-sale is not reversed through profit or loss, but increases in fair value after impairment are recognized directly in other comprehensive income (OCI).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial instruments classified to this category are carried at amortized cost using the effective interest rate method. These mainly consist of trade accounts receivable and other receivables as well as cash and cash equivalents.

Current trade accounts receivable as well as other current receivables are stated at cost. Non interest-bearing monetary receivables maturing after one year are discounted at a term-adequate interest rate.

If collectability of the receivable is doubtful, customer receivables are stated at the lower recoverable amount. Impairment is recognized if objective evidence, particularly regarding the creditworthiness of the respective customer, current industry-specific business trends and an analysis of defaults on receivables in the past, indicates that the company will not collect all amounts upon their maturity dates. The carrying values of current receivables are approximately equivalent to the fair value.

Allowances on receivables are recorded on specific valuation allowance accounts. Derecognition takes place at the same time as the corresponding impaired receivables. In addition, portfolio adjustments are recognized for receivables with different risk classes. In this case, historical default rates are used. The respective receivables are then written-down according to an average default rate. A derecognition of the amounts of the impairment account against the carrying amount of impaired financial assets only occurs when the relevant facts are time-barred.

Cash and cash equivalents comprise cash on hand as well as cash, sight accounts and deposits with banks and other financial institutions. These items are only recognized as Cash and cash equivalents if they are convertible to known amounts of cash and cash equivalents at any time, are exposed to only minor fluctuations in value and have an original maturity of or less than three months starting from the date of acquisition. Cash and cash equivalents are measured at cost.

Financial assets at fair value through profit or loss

The category of financial assets at fair value generally contains financial assets held for trading and financial assets designated by the company upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for purpose of selling them in the near future. Derivative financial instruments and embedded derivatives subject to separation with a positive fair value at the balance sheet date are always allocated to this category, except for derivative financial assets relating to financial guarantees or designated as hedging instruments and are effective as such (hedge accounting).

Financial assets are initially designated as financial assets at fair value through profit or loss if such classification eliminates or substantially reduces mismatching arising from the recognition of assets otherwise undertaken or the recognition of gains and losses from different accounting policies or if a group of financial assets and/or financial liabilities is assessed according to a documented risk management or investment strategy and its growth is assessed on the basis of its fair value and the information about this group determined on this basis is submitted internally to individuals in key position of the Company. They are measured at fair value. Realized gains and losses from changes in the fair value of the financial instruments are reported to the income statement on the date incurred. If there is no observable market value, the fair value is determined by applying a valuation method. Valuation methods include the application of most recent business transactions between knowledgeable, willing and independent business partners in an arm's length transaction, comparison with current fair values of another, mostly identical financial instrument, the discounted cash flows method and as well as the use of other valuation models.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling them in the near future. Derivatives with a negative fair value at the balance sheet date are always assigned to this category, with the exception of contracts, which is a financial guarantee, or which have been designated as a hedging instrument and as such are effective (hedge accounting). Derivative financial instruments subject to separation with negative fair value at the balance sheet date are disclosed under other liabilities.

Other financial liabilities

Non-current and current financial liabilities, trade accounts payable and other liabilities, excluding derivative financial instruments are recognized at amortized cost. Low or non-interest-bearing non-current liabilities are initially measured at present value and accrue interest until maturity. Liabilities for outstanding invoices are shown under trade accounts payable and other liabilities. Non-current liabilities are discounted using the effective interest rate method.

The liability and equity components in compound financial instruments such as convertible bonds are to be separated and accounted and measured separately.

Hedge accounting

Being an internationally operating enterprise, the Group is exposed to currency fluctuations. Both derivatives and non-derivatives are used to hedge against fluctuations in exchange rates. The accounting treatment of the hedging relationship is generally to hedge against changes in the fair value of assets, liabilities or unrecognized firm commitments from buy and sell agree-ments (fair value hedge). Forward exchange contracts, currency swaps and non-derivative financial assets and liabil-ities are designated as hedging instruments either in full or in part. Non-derivative financial assets and liabilities are used to hedge against currently off-balance sheet sell and license agreements in foreign currencies. Furthermore, the Group uses cash flow hedges to hedge against the risk of fluctuating cash flows and hedges net investment in economically independent foreign operation.

In a fair value hedge, the hedged risk for changes in the fair value of a hedged item and the change in fair value of a hedging instrument are reported and in the same income statement line item. Regarding the hedging of off-balance sheet firm commitments from buy and sell agreements (hedged item), the cumulative change in the fair value of the hedged item is recognized as a separate asset or liability. In addition, a corresponding gain or loss is shown in such a way that it offsets the change in the fair value of the hedging instrument.

For a cash flow hedge, the effective portion of changes in the fair value of the derivative is recorded in other comprehensive income and reported in equity in other reserves. The ineffective portion of changes in fair value is recognized directly in the income statement. Following the termination of the hedge rela tionship the recognized amounts in other comprehensive income (OCI) have to be reclassified in the income statement.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item, which is treated as part of the net investment, are accounted for in the same way as cash flow hedges.

The hedging relationships are expected to be highly effective in achieving an offsetting of risks from changes in the fair value of the hedged item and hedging instrument. They are continuously evaluated as to whether they were actually highly effective throughout the financial reporting periods for which the hedging relationship was designated. The effectiveness of a hedging relationship is tested on the basis of prospective and retrospective effectiveness tests. The prospective effectiveness test is performed according to the critical term match method.

Under the retrospective effectiveness test, the dollar-offset method is applied. Hedge effectiveness is the degree to which changes in the fair values of the hedged item and the hedging instrument are offset. The hedge is deemed effective if it falls within a range of between 80 and 125 percent. The hedging relationships are without exception in this range. At the inception of the hedge, both the hedging relationship and the Group's risk management objectives and strategies for undertaking the hedge are formally designated and documented.

4.11 Pension liabilities
Post-employment benefits include pension benefits for employees. These are divided into defined benefit plans and defined contribution plans.

A defined contribution plan exists when on the basis of legal or private stipulations fixed contributions are paid to a fund or a public or private pension insurance institution and no legal or constructive obligations exists to make further payments. The contributions are expensed when due.

For defined benefit plans, the present value of the defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The actuarial assumptions underlying the calculation are based on future obligations on the basis of allocable pension benefits accrued as of the balance sheet date. The pension plans are funded by a fund. The plan assets are accounted for at fair value.

Actuarial gains and losses result from changes in assumptions, deviations between actual and expected returns on plan assets as well as the difference between effectively acquired and calculated, using actuarial assumptions, entitlement to benefits. These are immediately recorded in other comprehensive income (OCI) under "items that will not be reclassified to profit or loss in subsequent periods" without impacting the income statement. Current service cost and net interest are recorded as personnel expenses. A reduction in contribution within the meaning of IAS 19 is present, if the employer has to pay lower contributions than the service costs. Specific events, such as pension plan changes that alter the entitlement of the employee or curtailments and settlements are recognized immediately in the income statement.

Furthermore, the TEAM group maintains a pension fund for its members of management. In addition to the statutory pension scheme, this foundation holds an additional savings facility. The foundation holds a share in the capital of Team Football Marketing AG. The dividend income of Team Football Marketing AG is added to the savings deposits of the members of management. There were no contributions charged to the in-come statement for this additional facility.

4.12 Other provisions, contingent liabilities and contingent assets
Provisions are recognized for present legal or factual obligations to third parties arising from past events, the settlement of which will probably give rise to an outflow of funds or other resources. A further condition for recognition is that a reliable estimate can be made of the amount of the obligation.

Provisions are measured in the amount of expected outflow of resources that is most likely to occur. Non-current provisions with a material interest effect are recognized at the present value of the expected cash outflow using the current market rate of interest. Provisions for onerous contracts are recognized when the unavoidable costs of meeting the obligation of a contract exceed the economic benefits expected to be received under it. Before a separate provision for an onerous contract is established, any impairment loss that has occurred on assets dedicated to that contract is recognized.

Possible obligations whose existence (occurrence, non-occurrence) must be confirmed by future events or obligations whose extent cannot be reliably determined are disclosed as contingent liabilities. Contingent assets are not capitalized, but also disclosed as in the case of contingent liabilities, if an economic benefit is likely for the Group.

4.13 Income taxes

Current taxes are calculated on the basis of the results of the financial year and in accordance with the national tax laws in the respective tax jurisdiction. Expected and actually paid tax payments or tax refunds for previous years are also included.

Deferred tax assets and deferred tax liabilities are determined according to the liability method. Deferred taxes are recognized in the consolidated financial statements for temporary differences between the carrying value and the tax base of the assets and liabilities as well as for tax loss carryforwards. Deferred tax assets relating to deductible temporary differences and tax loss carryforwards are recognized only to the extent that it is that the respective company is sufficiently likely to have a taxable income against which the temporary differences and unused loss carry-forewards can be used.

Deferred taxes on temporary differences in the annual financial statements are calculated at the rates which apply in the individual countries at the time of realization or already enacted for future periods. Deferred tax assets and deferred tax liabilities levied by the same taxation authority are offset if they relate to the same type of tax and have the same maturity. Deferred tax assets and liabilities from controlled companies are offset. Income taxes for items recognized directly in equity are not recognized in the income statement, but also in equity.

Temporary differences associated with investments in subsidiaries are not subject to deferred tax liabilities, because it is likely that such temporary differences will not reverse in the foreseeable future and Constantin Medien AG has the ability of determining the date upon which the temporary differences will reverse.

4.14 Share-based payments

For cash-settled share-based payments (stock appreciation rights) or other assets, a liability for the goods and services received is recognized and measured initially at the fair value. Until the liability is settled the fair value of the liability is revalued at each reporting date and at the settlement date. Any changes in fair value are recognized in personnel expenses. More information about the determination of the fair value of the cash-settled share-based payment is set out in note 7.14.

4.15 Revenue recognition

The income from goods and services is recognized when the relevant risks and rewards associated with the ownership of the goods and services sold are transferred to the buyer. For additional expense in connection with the goods and services sold, including the costs for returned products, adequate provisions are made.

Revenues from barter transactions involving advertising and other services are only recognized in the income statement when the services exchanged are dissimilar and the amount of revenue can be measured reliably.

In the Segment Sports, revenues are recognized when the services are rendered. Advertising revenues are generally recognized on the date the commercials are aired or placed. Provisions for natural discounts are recorded as revenue deduction with the booking for advertising time free spots are promised to the customer and these have not been fully aired to date. In the production sector, revenues are recognized upon completion and – where agreed - acceptance of the production by the customer.

In the Segment Film, theatrical film revenue is recognized from the time of theatrical release. The revenue amount is directly related to the number of movie attendances. In line with the industry standard, the theatrical film rental billed by the cinema operator to the distributor is recognized as the distribution component of the total theatrical revenue. Theatrical film rental is calculated on the basis of a percentage of the box office receipts.

Revenue from service productions is determined using the percentage-of-completion method (PoC) in order to recognize the share of total revenues for the reporting period (see note 4.16).

Revenue from TV rights (pay and free-TV) is recognized as of the date the license takes effect, generally 18 to 32 months after the start of the theatrical exploitation. With these forms of exploitation of film rights, revenue is realized upon the expiry of the relevant contractual exploitation holdback period. Thus, revenue is realized as of the date the respective license becomes available.

With respect to global distribution, the Group generally receives minimum guarantees for the exploitation rights sold (theatrical, home entertainment, TV rights). The revenues are allocated to the various types of revenue. Allocation is conducted on the basis of historical experience in accordance with corporate planning at the following general rates for theatrical, home entertainment and TV rights: 25 percent for theatrical rights, 15 percent for home entertainment rights and 60 percent for TV rights. The corresponding revenues are realized as follows: theatrical revenue upon theatrical release, home entertainment revenues six months after theatrical release, TV revenues 24 months after theatrical release. Revenues from global distribution sales without any minimum guarantee are recognized upon the royalty settlements received from the licensees.

Regarding own home entertainment exploitation, revenues from the number of DVDs and Blu-rays sold are recognized starting on the release date, taking into account anticipated merchandise returns. In case of digital purchases and rental transactions revenue is also recognized from the release date and depends on the number of digital transactions. Revenues arising from the licensing of DVD and Blu-ray rights to licensees are recognized as of the date the license period commences.

In the Segment Sports- and Event-Marketing, sales are recognized pursuant to the contractual arrangement of the respective projects. The most important and main contracts for these projects prescribe that the Group is to receive a share in the net earnings of the corresponding project. These net earnings arise from the revenues of the project less costs directly attributable to the project that are billed by third parties. The project's net earnings are calculated through a project accounting system. The allocable revenues are attributed to the expenses of the project. The project accounting is prepared monthly for each project. In the event that previous expectations no longer match the latest expectations, the revenues taken into account from said project are adjusted over the remaining term of the project in accordance with the latest expectations.

Revenue from services, which are rendered over a certain time period and for which the customer is periodically charged is recognized over the period in which the service is rendered.

Revenues are recognized in each case net of invoiced value added tax, trade discounts and volume rebates.

Dividend income is recognized in the financial year in which the right to receive the payment is incurred. Interest income is recognized pro rata using the effective interest method.

4.16 Long-term service productions

Service productions are recognized using the percentage of completion method if the necessary conditions are met. Total contract revenues and contract costs attributable are recognized in profit and loss according to the stage of completion provided that earnings from the service production can be measured reliably. In determining the stage of completion, the physical completion method is used for dailies and weeklies (output-based method) and the cost-to-cost method is used for TV films and event shows. Sufficient certainty with regard to earnings from a service production when determining the stage of completion according to the cost-to-cost method is usually achieved at the time the rough cut is accepted by the station.

If the earnings from the service production cannot be estimated reliably, revenue is recognized only to the extent of contract costs already incurred (zero-profit method). If the uncertainties no longer exist at a later date, thus allowing earnings from the service production to be reliably estimated, pro rata profits are realized according to the stage of completion. Where it is probable that the total contract costs will exceed the total contract revenues, the expected loss is immediately expensed.

Service productions in progress are reported in the balance sheet under trade accounts receivable or trade accounts payable at the difference between revenues realized and revenues invoiced. Service productions in the development phase for which no assignment exists from a broadcaster are recorded in inventories.

4.17 Government grants

4.17.1 Project promotion

Project promotion as a contingently repayable loan

Film project promotion funding is granted in the form of a contingently repayable interest-free loan in accordance with the stipulations of the German film funding legislation and/or the relevant state funding regulations (e.g. rules of the Bavarian Film/Television Fund FFF Bavaria). This is repayable as soon as and to the extent that the resulting income received by the producer from the exploitation of the film exceeds a certain amount. These government grants relate to assets. In the balance sheet, the grant amount is deducted from the carrying amount of the film asset to the extent it will not have to be repaid with reason able assurance. The grant is recognized as income through a reduced amortization charge of capitalized production costs over the exploitation cycle of the film.

As a rule, the amount that is not repayable with reasonable assurance can be determined at the date of the theatrical release. In the event that it is determined at a later date that another portion of the loan has to be repaid, the carrying value of the film asset is increased by this amount and a liability is reported for the corresponding obligation at the same time.

Project subsidies

Project subsidies are non-refundable grants, to which a producer is entitled for purposes of financing the project costs for a subsequent film depending on the number of box office admissions resulting from theatrical exploitation of a reference film. These government grants relate to assets. The subsidies are deducted from the carrying value of the reference film in the balance sheet starting on the shooting date of the subsequent film. The grant is recognized as income through a reduced amortization charge of capitalized production costs over the exploitation cycle of the film.

Film project promotion in accordance with the guidelines issued by the BKM (DFFF)
Film project promotion according to the guidelines issued by the BKM (DFFF) are grants that do not have to be repaid and serve to reimburse the production costs of a theatrical film after fulfillment of clearly defined criteria.

These government grants relate to assets. The film project promotion grants are deducted from the carrying value of the film asset in the balance sheet no later than the date of the theatrical release. These grants are recognized as other receivables before the date of the theatrical release. At the same time, deferred income is recognized under other liabilities. The grants are recognized as income through a reduced amortization charge of capitalized production costs over the exploitation cycle of the film.

4.17.2 Distribution promotions
Distribution promotions as a contingently repayable loan
Distribution promotions as contingently repayable loan distribution promotions are granted in the form of a contingently repayable interest-free loan in accordance with the requirements of the German film funding legislation and/or the relevant state funding regulations (e.g. rules of the Bavarian Film/Television Fund FFF Bayern). These are repayable as soon as and to the extent that the income received by the distributor as a result from the exploitation of the film exceeds a certain amount.

These are government grants relating to expenses already incurred. The distribution promotions are recognized as a reduction of release costs by the amount that is not repayable with sufficient certainty. The sales subsidies are recognized in the periods in which the corresponding film release costs are incurred.

As a rule, the amount that is not repayable with reasonable assurance can be determined at the date of the theatrical release. In the event that it is determined at a later date that another portion of the loan has to be repaid, that amount is expensed and a liability is recognized in the corresponding amount.

Sales subsidies
Sales subsidies are non-refundable grants, to which a distributor is entitled for purposes of financing the release costs for a subsequent film depending on the number of box office admissions resulting from theatrical exploitation of a reference film. These are government grants relating to expenses already incurred. The sales subsidies are recognized in the income statement as a reduction of release costs at the time of the subsequent film's release date.

The scope of Swiss film promotion is insignificant. The accounting policies described above also apply, mutatis mutandis to Swiss film promotion.

5. Accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to use estimates and assumptions that affect the classification and measurement of reported income, expenses, assets, liabilities, contingent liabilities and contingent assets as at the balance sheet date. These estimates and assumptions represent management's best assessment based on past experience and other factors, including estimates about future events. The estimates and assumptions are continually reviewed. Changes in accounting estimates are necessary if changes occur in the circum stances on which the estimate was based or as a result of new information or additional findings. Such changes are recognized in the period in which the estimate was revised.

The most important assumptions concerning future development as well as the key sources of uncertainties surrounding estimates which could give rise to significant revaluation in assets and liabilities, income, expenses and contingent liabilities in the next twelve months are presented below.

Impairment of non-financial assets
To asses if any impairment exists, estimates are performed of expected future cash flows per cash generating unit from the use and any disposal of such assets made. These estimates and assumptions rely on premises base on information currently available in each case. These are disclosed in note 7.2.The actual cash flows could differ significantly from the discounted future cash flows based on these estimates. Changes in sales and cash flow forecasts could lead to impairment charges.

Financial assets
The fair value of financial assets traded on organized markets is determined by quoted market price as at the measurement date. The fair value of financial assets without an active market

is determined using valuation methods. Valuation methods include application of the most recent business transactions between knowledgeable, willing and independent business partners in an arm's length transaction, comparison with the fair value of another, mostly identical financial instrument, analysis of discounted cash flows, and use of other valuation models based on Management's assumptions. The Group determines at each reporting date or if triggering events occur whether there is any impairment of financial assets or group of financial assets.

Service productions
In determining the stage of completion of productions for which the percentage-of-completion method is applied, the cost-to-cost method (realization of earnings in the amount of production costs incurred as at the closing date in proportion to the expected total production costs) or the physical completion method are applied. The expected total production costs or costs of physical completion are determined based on estimates. Changes in accounting estimates have a direct impact on the earnings generated.

Provisions for anticipated goods returns
The Group's provision for anticipated goods returns is based on an analysis of contractual or legal obligations and historical development as well as the experience of the Group. According to the information available at the present time, Management considers the provisions to be adequate. Since these deductions are based on Management's estimations, adjustments may have to be made as soon as new information becomes available. Such adjustments could impact the provisions recognized as well as for sales in future reporting periods.

Provisions for litigation
The Group companies are subject to various legal disputes. At present the Group assumes that litigation provisions cover such risks. However, there may be further litigation of which the costs are not covered by the existing provisions. Furthermore, it cannot be ruled out that the extent, duration and costs of litigation will increase. The occurrence of such events could impact provisions recognized for litigation in future reporting periods.

Pension liabilities
Pension obligations and related net periodic benefit costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, salary trends and rate of pension progression. The discount rate assumptions are determined by reference to yields on high-quality corporate bonds and government bonds of appropriate maturity and currency at the end of the reporting date. Due to changing markets and economic conditions the underlying key assumptions may differ from actual developments and my lead to significant changes in pension obligations. Such differences are recognized in other comprehensive income (OCI) in the period in which they occur.

Deferred income taxes
For the determination of claims and liabilities from deferred income taxes extensive estimates have to be made. Several of these estimates are based on interpretations of enacted tax laws and regulations. Management believes that the estimates are adequate and uncertainties surrounding income taxes for recognized assets and liabilities have been sufficiently taken into account. In particular, deferred tax assets from tax loss carryforwards are dependent on the generation of future corresponding profits. Also, deferred tax assets from valuation adjustments are dependent on future profit performance. Furthermore, tax loss carryforwards expire in certain countries over time. Actual profits may vary from forecast profits. Such changes may impact deferred tax assets and deferred tax liabilities in future reporting periods.

Share-based payments
Estimating the fair value of share-based payments requires the determination of the most appropriate valuation model, which is depended on the terms of the agreement. For the measuring of the fair value of share-based payments the Group uses a binomial model. The input factors for this model are based on assumption such as expected future volatility, the expected life of the stock appreciations rights as well as the expected dividend yield. For cash-settled share-based payments, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognized in the income statement. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions to estimate the fair value of share-based payments are disclosed in note 7.14.

Full consolidation of Highlight Communications AG as of December 31, 2016
Facts and legal dispute with Stella Finanz AG
In the financial year 2009, Constantin Medien AG received for the first-time a long-term loan from a person related to Highlight Communications AG, which in the course of time was more than once extended, increased and the conditions adjusted. In the annual reports since 2009, these loan agreements have been reported. As collateral for the granting of the loan, shares in Highlight Communications AG were pledged. It has been clarified that Constantin Medien AG is entitled to the voting rights and to exercise those voting rights.

The last major amendment of the loan agreement took place on June 2, 2014. Please refer to the notes to the annual report

2014 for further information and amendments to this agreement. In the loan agreement dated June 2, 2014, a new right of veto of the lender (Stella Finanz AG) was included for the first-time for decisions that could reduce the value of the pledged Highlight Communications shares. It was agreed at the same time that Constantin Medien AG can repay the loan prematurely in such cases. No restrictions on the exercise of voting rights by Constantin Medien AG were included. Thus, it can be assumed unchanged that Constantin Medien AG is still entitled to the voting rights. At the General Meeting of Highlight Communications AG in the year 2015, Constantin Medien AG exercised its voting rights, undisputed as in previous years.

In the last amendment of the agreement on August 25/28, 2015, repayment was agreed until June 30, 2017, whereby Constantin Medien AG was also granted the unilateral right to terminate the loan in whole or in part with a 30-day advance notice, but not before June 30, 2016 at the earliest. The lender was granted a unilateral right that a termination of the loan could be made after prior notice of 30-days provided the stock market price of the Highlight Communications shares, which serve as collateral, falls below a value of EUR 3.00 per share. No further amendments were agreed upon.

Constantin Medien AG terminated the loan agreement with Stella Finanz AG on extraordinary grounds and subsidiarily on ordinary grounds as at June 30, 2016. In addition, with agreement (rescission agreement) as of June 7/8, 2016 Constantin Medien AG agreed with Stella Finanz AG on the rescission of the loan as of June 30, 2016. At the end of June 2016 Stella Finanz AG cancelled the necessary bank orders for the repayment of the loan against the issuance of collateral at short-term notice without giving any reasons.

The not performed rescission agreement led ultimately to the legal disputes in detail presented in the risk report (chapter 7.2.5 in the combined Group management and management report).

In the course of the disputes, Highlight Communications AG announced in an ad hoc announcement from May 26, 2016 that the General Meeting scheduled for June 30, 2016 will be postponed indefinitely. This is due to legal uncertainties about the right to exercise voting rights in a substantial number of shares; this “substantial number of shares” related to the pledged shares of Constantin Medien AG.

By way of a temporary injunction, the District Court of Munich I on July 5, 2016, at Constantin Medien AG's request, ruled that Stella Finanz AG is not entitled to the shares pursuant to Sections 57, 62 AktG and is not allowed to participate in an order, and the custodian bank may not transfer the shares to another custodian bank or to a bank until a legally binding decision on the surrender claim by Constantin Medien AG has been issued without the written consent of Constantin Medien AG. The temporary injunction of July 5, 2016, issued to secure the rights of Constantin Medien AG, has been upheld by the District Court of Munich I by judgment of November 16, 2016. In that judgment the District Court of Munich I, among others, confirmed that the contested shares were pledged and were not surrendered to Stella Finanz AG.

Mid December 2016, Constantin Medien AG filed an action at the District Court of Munich I against Stella Finanz AG and the custodian bank for the restitution of forbidden benefits (§§ 57, 62 AktG) and tortuous acts (§ 823 BGB).

On December 21, 2016, at the request of Constantin Medien AG and the protection of its rights, the District Court Munich I decided to order a temporary injunction with the following content:

- Stella Finanz AG was prohibited from submitting an admission card, a deposit or inventory confirmation to a person other than Constantin Medien AG at the custodian bank for the meanwhile scheduled General Meeting of Highlight Communications AG on December 30, 2016, as well as to exercise or to be exercised especially the voting rights from these shares at the General Meeting.
- The custodian bank was given the order of issuing an inventory confirmation for the shares of Constantin Medien AG as of December 20, 2016, as well as a blocking confirmation until the end of the General Meeting and together with an order for an admission card, submitting to Highlight Communications AG no later than December 23, 2016 and to provide Constantin Medien AG with written proof of this service. The custodian bank did not comply with this injunction of the District Court Munich I.
- The custodian bank was also given the order to declare for invalid and to recall an already issued admission card, or a deposit or inventory confirmation for the General Meeting for a person other than Constantin Medien AG to Highlight Communications AG and Stella Finanz AG until the legally binding decision on the restitution claim regarding the shares.

A complaint against the decision was not filed. To this extent, Constantin Medien AG had a legally enforceable claim as of December 30, 2016, which still exists today.

On December 30, 2016, the General Meeting of Highlight Communications AG took place. Due to the lack of custody account confirmation from the custodian bank, Constantin

Medien AG was not able to participate with its total 28.6 million shares, but only with the non-pledged 3.8 million shares at the General Meeting of Highlight Communications AG. The pledged shares were not registered by any party to the General Meeting of Highlight Communications AG.

As Stella Finanz AG has so far not accepted the rescission of the loan and the restitution of the Highlight Communications shares pledged as collateral, an escrow arrangement for the settlement and release with a neutral third party was agreed on June 26, 2017 and the repayment sum plus interest was fully provided as of June 30, 2017. No further agreements result from the most recent loan agreement, so that the loan is ordinarily terminated by repayment and release of the collateral. However, there is the risk that Stella Finanz AG does not get engaged in the rescission through the escrow arrangement. Furthermore, there is the risk that Stella Finanz AG will pursue the realization of the collateral.

– **Balance sheet assessment as of the balance sheet date**
  In accordance with IFRS 10, a company must include all companies that are a subsidiary within the scope of IFRS 10 in the consolidated financial statements by way of full consolidation. A subsidiary within the scope of IFRS 10 is an entity controlled by another entity (IFRS 10, Appendix A).

  In this respect, the inclusion of Highlight Communications AG by way of full consolidation in the consolidated financial statements of Constantin Medien AG in accordance with IFRS will determine whether Constantin Medien AG controls Highlight Communications AG as defined by IFRS 10 as of December 31, 2016. To date, Constantin Medien AG has included Highlight Communications AG as a subsidiary in the consolidated financial statements since, with its share of 60.53 percent, it held the majority of the voting rights at the General Meeting and thus was able to indisputable control the relevant activities of Highlight Communications AG. In accordance with IFRS 10.B80, an investor (i.e. Constantin Medien AG) has to determine whether there is still control over an affiliated company if circumstances and facts indicate that changes have occurred in the circumstances which have an effect on the existence of control. Due to the aforementioned legal disputes, the Company has examined whether circumstances have occured which have led to a change in the existence of control.

  In the past, Constantin Medien AG exercised its full voting rights at every General Meeting of Highlight Communications AG. Constantin Medien AG was registered for the shares deposited with the custodian bank through the custodian bank at the General Meeting of Highlight Communications AG and the voting right was granted so that an exercise of voting rights by Constantin Medien AG was guaranteed in the past.

  Due to the first-time non-registration of the shares to the General Meeting on December 30, 2016, which are held as collateral for the loan from Stella Finanz AG at the custodian bank, and the non-re-election of the representative of Constantin Medien AG to the Board of Directors of Highlight Communications AG, the assessment may have changed. However, the special circumstances of the obstruction in the exercise of the voting rights must be taken into account.

  Based on the consideration of the relevant provisions and the current situation, the Company came to the conclusion that Highlight Communications AG will continue to be consolidated in the consolidated financial statements as of December 31, 2016. The Company has taken into account the following aspects in its assessment and analysis:

  – The loan agreement between Stella Finanz AG and Constantin Medien AG did not provide for the transfer of ownership but merely a deposit of the shares as a pledge. The loan agreement also provided only for a veto of Stella Finanz AG for decisions that could sustainably reduce the value of the Highlight Communications share. No such event occurred during the financial year 2016. Only the announcement of Constantin Medien AG to propose additional members of Constantin Medien AG for election to the Board of Directors at the General Meeting and/or possibly to put up Constantin Film AG for sale, is not yet a decision against a veto could be filed according to the agreement.
  – In addition, Constantin Medien AG exercised its early right to terminate the agreement and agreed the step-by-step repayment with Stella Finanz AG against the transfer of the shares. Constantin Medien AG has fulfilled all its contractual obligations under the rescission agreement. However, the rescission was not carried out unilaterally by Stella Finanz AG.
  – Both the legal opinions received by the Company and the court rulings of the District Court of Munich I confirm that Constantin Medien AG has not transferred ownership of the Highlight Communications shares to Stella Finanz AG, thus Constantin Medien AG is the legal owner of the pledged shares and thus also the holder of the voting rights.
  – The Company had a clear legal position with regard to the exercise of its voting rights for the General Meeting held on December 30, 2016 by virtue of the judgment of the District Court of Munich I as of December 21, 2016, which required the custodian bank to register the voting rights.

- Constantin Medien AG filed an objection to resolutions passed by the General Meeting on December 30, 2016, which was also accepted by the court of competent jurisdiction. To this extent, all decisions shall be considered provisional until the court of competent jurisdiction decides. If the appeal is accepted by the court, the contested decisions shall be null and void.

On the basis of its assessments and legal recognition, Constantin Medien AG assumes that it has only been temporarily prevented from exercising the voting rights in the shares of Highlight Communications AG and that the voting rights in the pledged shares still remain.

On June 30, 2017, the term of the loan granted by Stella Finanz AG expires properly. As of this date, Constantin Medien AG will repay its loan obligations and interests, as it has been offered in the past several times, by way of the escrow procedure described above and assumes that the pledged Highlight Communications shares will be retransferred due to the termination of the loan agreement. However, there is a risk that Stella Finanz AG will refuse to release the collateral. Though, with the repayment of the loan, no reason whatsoever exists for collateralization, so that the retention of the shares is classified as unlikely. The Company assumes that, with repayment of the loan as of June 30, 2017, Constantin Medien AG will receive the shares in Highlight Communications AG and the corresponding voting rights. Nonetheless, the Company points out that judicial proceeding can lead to a different conclusion than the Company assumes.

– Possible impacts of future events

The various legal disputes and possible consequences for Constantin Medien AG were presented in chapter 7.2.5 in the combined Group management and management report. In order to highlight the possible effects of an actual loss of control of Highlight Communications AG, Constantin Medien AG has subsequently presented the main effects on the consolidated financial statements in the event of possible deconsolidation in an alternative presentation of the consolidated financial statements as of December 31, 2016. This presentation serves as a supplementary voluntary statement on transparency and traceability.

It should be noted that the following presentations have been made taking into account the following assumptions as of the balance sheet date:

- Loss of control within the meaning of IFRS 10.25
- Constantin Medien AG would still be the owner of the entire shares, even if it could not exercise its voting rights. The shares in Highlight Communications AG would be accounted for in accordance with IAS 39
- Derecognition of all relevant assets and liabilities of Highlight Communications AG
- Valuation of all shares, including any shares retained by Stella Finanz AG, at the fair value (stock market price of Highlight Communications AG as of December 31, 2016)
- The difference between the disposal of the relevant assets and liabilities as of December 31, 2016 and the fair value of the shares in Highlight Communications AG as of December 31, 2016 require the effect of disposal

The following significant effects would result from the voluntary presented deconsolidation at the balance sheet date:

- A non-cash amount of EUR 162,734 thousand would result from the initial recognition as a non-current other financial asset.
- From the deconsolidation shown at the balance sheet date a cash outflow of EUR 82,560 thousand would result due to the disposal of cash and cash equivalents.
- The deconsolidation would result in income of EUR 57,180 thousand, which would be reported under other operating income (income from deconsolidation).
- The net assets at the assumed date of the deconsolidation on December 31, 2016 amount to EUR 169,251 thousand and comprise besides the goodwill of Sports- and Event-Marketing (EUR 38,136 thousand) and the brand name Constantin (EUR 28,000 thousand) essentially film assets (EUR 118,729 thousand), trade accounts receivable and other receivables (EUR 89,478 thousand), receivables from related parties and persons (EUR 27,031 thousand), cash and cash equivalents (EUR 82,560 thousand), financial liabilities (EUR 48,750 thousand), advance payments received (EUR 61,953 thousand) as well as trade accounts payable and other payables (EUR 80,727 thousand).
- At the time of the deconsolidation date, EUR 9,383 thousand would be reclassified from other equity to the income statement. These are essentially EUR 10,386 thousand positive foreign currency translation differences.

The consolidated financial statements, taking into account the above assumptions as of December 31, 2016, would be as follows:

Alternative presentation of the consolidated balance sheet as of December 31, 2016 in EUR '000*

Assets	12/31/2016
Non-current assets	
Film assets	0
Other intangible assets	4,007
Goodwill	8,707
Property, plant and equipment	6,077
Investment property	0
Investments in associated companies	0
Other financial assets	162,743
Receivables due from associated companies	0
Deferred tax assets	212
	181,746
Current assets	
Inventories	259
Trade accounts receivable and other receivables	33,083
Receivables due from associated companies	0
Other financial assets	0
Income tax receivables	127
Cash and cash equivalents	22,269
	55,738
Total assets	237,484

* Voluntary presentation without Highlight Communications AG

Alternative presentation of the consolidated balance sheet as of December 31, 2016 in EUR '000*

Equity and liabilities	12/31/2016
Equity	
Subscribed capital	93,600
Treasury stock	0
Capital reserve	-75,283
Other reserves	3,336
Other components of equity	-116
Accumulated gain/loss	4,527
Shareholders' interests	65,454
Equity attributable to the shareholders	91,518
Non-controlling interests	0
	91,518
Non-current liabilities	
Financial liabilities	63,466
Advance payments received	0
Other liabilities	82
Pension liabilities	0
Provisions	293
Deferred tax liabilities	460
	64,301
Current liabilities	
Financial liabilities	0
Advance payments received	0
Trade accounts payable and other liabilities	74,140
Liabilities due to associated companies	0
Provisions	7,356
Income tax liabilities	169
	81,665
Total equity and liabilities	**237,484**

* Voluntary presentation without Highlight Communications AG

Alternative presentation of the consolidated income statement from January 1 to December 31, 2016 in EUR '000*

	1/1 to 12/31/2016
Sales	565,669
Capitalized film production costs and other own work capitalized	111,627
Total output	677,296
Other operating income	83,360
Cost of materials and licenses	-265,547
Personnel expenses	-143,939
Amortization, depreciation and impairment	-176,113
Other operating expenses	-78,387
Profit from operations	96,670
Profit from investments in associated companies and joint ventures	39
Financial result	-18,882
Profit before taxes	77,827
Taxes	-6,283
Net profit	71,544
thereof non-controlling interests	6,090
thereof shareholders' interests	65,454
Earnings per share	
Earnings per share attributable to shareholders, basic (in EUR)	0.72
Earnings per share attributable to shareholders, diluted (in EUR)	0.72
Average number of outstanding shares (basic)	91,369,083
Average number of outstanding shares (diluted)	91,369,083

* Voluntary presentation without Highlight Communications AG

Alternative presentation of the consolidated statement of cash flows from January 1 to December 31, 2016 in EUR '000*

	1/1 to 12/31/2016
Cash flow from operating activities	127,176
Cash flow for investing activities	-191,721
Cash flow for financing activities	-36,217

* Voluntary presentation without Highlight Communications AG

In addition, it is pointed out that the actual disposal effect can only be determined at the time of the actual loss of control at the fair value of the shares and the value of the net assets at that time. Since this is an uncertain point of time, it is not possible to work with estimates or sensitivities. The fair value is determined on the basis of the relevant stock market price of the shares at the time of the actual loss of control; the relevant net asset value at this time is based on the amortized cost.

6. Notes to selected line items in the consolidated income statement

6.1 Sales

The breakdown of sales is presented in the segment reporting in section 9 of these notes. Sales from barter transactions involving dissimilar advertising services in the Segment Sports amount in the reporting year to EUR 5,116 thousand (2015:

EUR 5,769 thousand) and from the exchange of services in the Segment Film to EUR 73 thousand (2015: EUR 1,210 thousand).

6.2 Capitalized film production costs and other own work capitalized

Capitalized film productions and the change in inventory of TV-service productions amount to EUR 110,117 thousand (2015: EUR 67,962 thousand). Other own work capitalized in the amount of EUR 1,510 thousand (2015: EUR 205 thousand) comprises internally-generated intangible and tang-ible assets.

6.3 Other operating income

Income from damage claims and settlement agreements mainly comprises income from compensation for copyright inf-ringements.

Miscellaneous other operating income consists of a large num-ber of items that cannot be allocated to any of the items shown separately.

Other operating income in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Income from the reversal of provisions and accrued liabilities	**8,827**	9,865
Income from deconsolidation	**5,808**	0
Income from damage claims and settlement agreements	**3,266**	3,389
Foreign currency exchange gains	**2,344**	7,161
Recharges	**1,444**	3,252
Reversal of bad debt allowances	**980**	1,170
Income relating to other periods	**347**	542
Income from disposal of liabilities	**58**	198
Income from disposal of fixed assets	**37**	134
Income from rents and leases	**12**	144
Miscellaneous other operating income	**3,057**	5,215
Total	**26,180**	31,070

6.4 Cost of materials and licenses

Cost of materials and licenses in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Licenses and commissions	**32,070**	28,691
Other cost of materials	**17,104**	16,730
Total costs of licenses, commissions and materials	**49,174**	45,421
Production costs	**202,956**	175,555
Costs of surplus guarantees in the Segment Film	**11,124**	13,277
Costs of purchased services	**1,774**	2,199
Other costs of purchased services	**519**	393
Total costs of purchased services	**216,373**	191,424
Total	**265,547**	236,845

6.5 Other operating expenses

Legal, consulting and auditing costs include, amongst others, costs to audit the consolidated financial statements and the individual financial statements, tax consultancy fees and costs for legal consultation in, among other things, ongoing court proceedings and copyright infringements.

Release and promotion expenses include the costs of promoting and distributing movies and of releasing home entertainment titles. Miscellaneous other operating expenses consist of a large number of items that cannot be allocated to any of the items shown separately.

Other operating expenses in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Legal, consulting and auditing costs	**15,286**	11,308
Release and promotion expenses	**14,756**	18,910
Rental, repair and maintenance costs	**13,621**	13,960
Advertising and travel costs	**10,172**	9,915
Expenses for additions to bad debt allowance and receivable write-offs	**4,990**	1,400
IT costs	**4,867**	4,674
Administration costs	**3,233**	3,299
Other personnel-related costs	**2,219**	2,333
Foreign currency exchange losses	**1,658**	5,688
Vehicle costs	**1,285**	1,337
Insurance, dues and fees	**1,115**	1,194
Expenses relating to other periods	**285**	190
Bank fees	**164**	223
Expenses for disposal of fixed assets	**63**	140
Miscellaneous other operating expenses	**4,673**	6,351
Total	**78,387**	80,922

In the reporting year, impairment losses on remaining loans due from Pokermania GmbH and Comosa AG resulted in an expense of EUR 4,099 thousand (2015: EUR 0 thousand), which is disclosed under expenses for additions to bad debt allowance and receivable write-offs.

6.6 Financial income

From derecognition of the liability of an embedded foreign currency option EUR/CHF in the loan from Stella Finanz AG resulted a financial income of EUR 480 thousand.

Financial income in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Foreign currency exchange gains	**1,874**	5,152
Gains from changes in the fair value of financial instruments	**1,858**	1,078
Accretion of discount for receivables	**8**	55
Income from other financial assets	**0**	1,011
Other interests and similar income	**147**	343
Total	**3,887**	7,639

6.7 Financial expenses

Financial expenses in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Foreign currency exchange losses	**5,471**	8,425
Interest expenses on corporate bonds	**4,862**	4,851
Write-down on non-current financial assets and non-current securities	**4,311**	1,482
Losses from changes in the fair value of financial instruments	**2,808**	1,694
Accretion of discount for liabilities and provisions	**4**	21
Other interests and similar expenses	**5,313**	3,894
Total	**22,769**	20,367

From the expiry of a bought foreign currency option EUR/CHF resulted a financial expense of EUR 239 thousand.

The write-down on non-current financial assets and non-current securities includes in the reporting period an impairment loss on non-current receivables due from the associated company Kuuluu Interactive Entertainment AG, which was sold on March 31, 2016, in the amount of EUR 1,860 thousand (2015: EUR 1,482 thousand) as well as an impairment loss on Geenee, Inc. in the amount of EUR 2,451 thousand (2015: EUR 0 thousand).

6.8 Taxes

Taxes comprise income taxes paid or payable in the respective countries and deferred taxes. Income taxes include trade tax, corporate income tax, solidarity surcharge and corresponding foreign income taxes.

Taxes in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Income taxes Germany	**-2,401**	-849
Income taxes rest of the world	**-2,964**	-2,785
Total income taxes	**-5,365**	-3,634
Deferred taxes Germany	**-845**	-5,092
Deferred taxes rest of the world	**-73**	350
Total deferred taxes	**-918**	-4,742
Total taxes	**-6,283**	-8,376

Tax reconciliation in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Result before taxes	**20,647**	28,376
Expected taxes based on a tax rate of 27.375% (2015: 27.375%)	**-5,652**	-7,768
Differing tax rates	**2,867**	952
Reversal/write-down on deferred tax assets	**647**	1,311
Tax-exempt income	**284**	502
Permanent differences	**-375**	-477
Change in tax rates (subsidiaries)	**34**	1
Non-deductable expenses	**-1,665**	-1,858
Tax income and expenses relating to other accounting periods	**-19**	92
Other effects	**-595**	288
Unrecognized deferred taxes	**-1,809**	-1,419
Actual income taxes	**-6,283**	-8,376
Effective tax rate in percent	**30.4**	29.5

The write-downs do not arise from the expiration of tax loss carryforwards, but from too low future taxable profits.

7. Notes to selected line items in the consolidated balance sheet

7.1 Film assets

Film assets 2016 in EUR '000

	Third-party productions	In-house productions	**Total film assets**
Acquisition and production costs			
Balance at January 1, 2016	157,433	662,796	**820,229**
Changes in the group of consolidated companies	0	0	**0**
Foreign currency differences	1,753	55	**1,808**
Other additions	34,455	66,391	**100,846**
Disposals	4,294	27	**4,321**
Balance at December 31, 2016	189,347	729,215	**918,562**
Accumulated amortization			
Balance at January 1, 2016	122,903	511,595	**634,498**
Changes in the group of consolidated companies	0	0	**0**
Foreign currency differences	1,748	33	**1,781**
Amortization for the year	24,673	135,412	**160,085**
Impairments	5,457	2,769	**8,226**
Write-ups	82	381	**463**
Disposals	4,294	0	**4,294**
Balance at December 31, 2016	150,405	649,428	**799,833**
Net carrying amounts at December 31, 2016	38,942	79,787	**118,729**

Film assets 2015 in EUR '000

	Third-party productions	In-house productions	**Total film assets**
Acquisition and production costs			
Balance at January 1, 2015	157,811	557,906	**715,717**
Changes in the group of consolidated companies	0	0	**0**
Foreign currency differences	115	355	**470**
Other additions	12,794	104,535	**117,329**
Disposals	13,287	0	**13,287**
Balance at December 31, 2015	157,433	662,796	**820,229**
Accumulated amortization			
Balance at January 1, 2015	123,654	458,731	**582,385**
Changes in the group of consolidated companies	0	0	**0**
Foreign currency differences	48	230	**278**
Amortization for the year	11,350	44,016	**55,366**
Impairments	950	8,618	**9,568**
Write-ups	0	0	**0**
Disposals	13,099	0	**13,099**
Balance at December 31, 2015	122,903	511,595	**634,498**
Net carrying amounts at December 31, 2015	34,530	151,201	**185,731**

In the reporting year, impairments of EUR 8,226 thousand (2015: EUR 9,568 thousand) were recognized because the value in use due to lack of market acceptance for specific films no longer covers the acquisition costs or the carrying value. The pre-tax discount factors used for determination of impairment are between 0.18 percent and 4.74 percent (2015: 0.95 percent to 2.80 percent). Disposals relate to co-productions and third-party productions whose distribution rights have expired in the current financial year.

In the reporting year, the Constantin Medien Group received project subsidies and project promotion loans in the amount of EUR 15,178 thousand (2015: EUR 11,762 thousand), which were deducted from the capitalized production costs.

Deferred project promotion loans amounted to EUR 4,023 thousand as of December 31, 2016 (2015: EUR 543 thousand). In the reporting year, repayments of project promotions amounted to EUR 1,244 thousand (2015: EUR 842 thousand).

In addition, sales subsidies and distribution promotions in the amount of EUR 1,881 thousand (2015: EUR 4,047 thousand) were recognized as a deduction to film release costs in the consolidated income statement in the reporting year. The sales subsidies are recognized in the periods in which the corresponding film release costs are incurred. Deferred distribution promotion funds as of December 31, 2016 amounted to EUR 0 thousand (2015: EUR 0 thousand).

During the reporting year distribution promotions in the amount of EUR 304 thousand (2015: EUR 2,335 thousand) were repaid. Receivables for promotions and subsidies amounted to EUR 13,651 thousand as of December 31, 2016 (2015: EUR 9,087 thousand).

In the reporting year, directly attributable financing costs of EUR 1,046 thousand (2015: EUR 563 thousand) were capitalized. To determine the costs to be capitalized interest rates from the funds specifically borrowed for financing were recognized. The financing interest rate varies between 2.3 percent and 4.5 percent (2015: between 1.31 percent and 5.00 percent).

7.2 Other intangible assets and goodwil

Other intangible assets and goodwill 2016 in EUR '000

	Purchased intangible assetse	Internally generated intangible assets	Advance payments	**Total other intangible assets**	**Goodwill**
Acquisition and production costs					
Balance at January 1, 2016	61,584	5,558	287	**67,429**	**160,927**
Changes in the group of consolidated companies	-877	-560	0	**-1,437**	**-2,015**
Foreign currency differences	17	10	0	**27**	**867**
Other additions	1,183	571	916	**2,670**	**0**
Disposals	183	0	0	**183**	**3**
Reclassifications	0	287	-287	**0**	**0**
Balance at December 31, 2016	61,724	5,866	916	**68,506**	**159,776**
Accumulated amortization					
Balance at January 1, 2016	30,937	3,203	0	**34,140**	**111,376**
Changes in the group of consolidated companies	-877	0	0	**-877**	**-530**
Foreign currency differences	15	0	0	**15**	**504**
Amortization for the year	1,544	909	0	**2,453**	**0**
Impairments	641	0	0	**641**	**0**
Write-ups	0	0	0	**0**	**0**
Disposals	183	0	0	**183**	**3**
Reclassifications	0	0	0	**0**	**0**
Balance at December 31, 2016	32,077	4,112	0	**36,189**	**111,347**
Net carrying amounts at December 31, 2016	29,647	1,754	916	**32,317**	**48,429**

In the reporting year, impairments of EUR 641 thousand (2015: EUR 0 thousand) were recognized in the Segment Sports on purchased software and marketing rights, because the value in use due to lack of market acceptance no longer covers the acquisition costs or the carrying value.

Other intangible assets include the acquired brand name “Constantin” with an indefinite useful life. As of December 31, 2016 the carrying value amounts to EUR 28,000 thousand (2015: EUR 28,000 thousand). The asset's useful life has been classified as indefinite because the ongoing use of the brand name is intended and therefore a useful life cannot be determined.

By letter of December 2016, Constantin Film Produktion GmbH, as owner of the brand “Constantin”, among others, terminated on extraordinary grounds and subsidiarily on ordinary grounds as of December 31, 2017 the existing agreement between itself and Constantin Medien AG for using this brand especially in the company name “Constantin Medien AG” (see chapter 7.6 in the combined Group management and management report). This termination has no effect on the value of the capitalized carrying value of the brand name “Constantin” of EUR 28,000 thousand in the consolidated financial statements of Constantin Medien AG. This is not the right to use as in the separate financial statements. As part of the purchase of Highlight Communications AG and the first-time full consolidation in 2008, the purchase price was allocated as a part of the purchase price allocation. The recoverable amount of EUR 28,000 thousand is reviewed annually within the scope of the impairment test and is dependent on the planning of the future business development of the Constantin Film group.

An annual impairment test was performed on the brand name as of December 31, 2016. The recoverable amount was calculated by using the value in use. The valuation of the brand name was carried out using the license price analogy method. For this purpose, an interest rate of 5.64 percent (2015: 5.18 percent) was used which was determined based on the weighted average cost of capital (WACC) and a growth rate of -2.0 percent (2015: -1.5 percent) over a budget period of ten years.

In applying the license price analogy method alternative scenarios were calculated and these were also tested for impairment. Even when applying more conservative scenarios in terms of revenue growth and discount factor, there was no need for impairment of the brand name.

Other intangible assets and goodwill 2015 in EUR ‘000

	Purchased intangible assets	Internally generated intangible assets	Advance payments	**Total other intangible assets**	**Goodwill**
Acquisition and production costs					
Balance at January 1, 2015	59,517	5,233	0	**64,750**	**150,260**
Changes in the group of consolidated companies	853	0	0	**853**	**1,585**
Foreign currency differences	161	0	0	**161**	**9,082**
Other additions	1,582	325	287	**2,194**	**0**
Disposals	529	0	0	**529**	**0**
Reclassifications	0	0	0	**0**	**0**
Balance at December 31, 2015	61,584	5,558	287	**67,429**	**160,927**
Accumulated amortization					
Balance at January 1, 2015	29,818	2,050	0	**31,868**	**106,291**
Changes in the group of consolidated companies	0	0	0	**0**	**0**
Foreign currency differences	98	0	0	**98**	**5,085**
Amortization for the year	1,518	1,153	0	**2,671**	**0**
Impairments	0	0	0	**0**	**0**
Write-ups	0	0	0	**0**	**0**
Disposals	497	0	0	**497**	**0**
Reclassifications	0	0	0	**0**	**0**
Balance at December 31, 2015	30,937	3,203	0	**34,140**	**111,376**
Net carrying amounts at December 31, 2015	30,647	2,355	287	**33,289**	**49,551**

Total goodwill of EUR 48,429 thousand was recognized on the balance sheet as of December 31, 2016. The material goodwill is allocated to the following cash-generating units:

Goodwill and assumptions for impairment test as of December 31, 2016

	Segment Sports- and Event-Marketing	SPORT1 (Segment Sports)
Goodwill in EUR '000	38,137	8,684
Planning period	10 years	5 years
Average organic sales growth	-1%	2%
Average EBITDA-margin	43%	11%
Long-term growth rate	1%	0%
Discount factor before taxes	6.88%	7.70%

Furthermore, a goodwill in the amount of EUR 1,585 thousand (2015: EUR 1,585 thousand) is recognized, which was allocated to PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH (Segment Film).

Impairment testing for goodwill is performed at the level of the Segment Sports- and Event-Marketing and the cash generating unit below the segments Sports and Film. The recoverable amounts correspond to the value in use. The value in use is determined using discounted cash flow method. The projected cash flows are based on past experience, current operating results and the best estimate of future developments by the company managements and on externally published market assumptions. The CAPM method (Capital Asset Pricing Model) was used to determine the cost of capital. Discount rates are determined on the basis of a risk-free rate and a market risk premium. Beta factors, leverage ratio and borrowing costs are taken from a group's business model comparable companies (peer group). The peer group is subject to an annual review and will be amended, if necessary. Valuation date was December 31, 2016.

As a result of the sale of Highlight Event and Entertainment AG in the first quarter of 2016, the goodwill at the level of the cash-generating unit below the Segment Other Business Activities was derecognized in the amount of EUR 1,486 thousand.

Total goodwill of EUR 49,551 thousand was recognized on the balance sheet as of December 31, 2015. The material goodwill is allocated to the following cash-generating units:

Goodwill and assumptions for impairment test as of December 31, 2015

	Segment Sports- and Event-Marketing	SPORT1 (Segment Sports)
Goodwill in EUR '000	37,755	8,684
Planning period	10 years	3 years
Average organic sales growth	0%	5%
Average EBITDA-margin	46%	10%
Long-term growth rate	1%	0%
Discount factor before taxes	6.31%	7.13%

Furthermore, alternative scenarios involving a possible development of the Constantin Medien Group were added to corporate planning, and these were also tested for impairment. Even using more conservative scenarios in terms of revenue growth, discount factor and EBITDA margin, there was no need for impairment of the goodwill in all segments and at the level of the cash generating units.

7.3 Property, plant and equipment

Property, plant and equipment 2016 in EUR '000

	Leasehold improvements	Technical equipment and machinery	Other equip-ment, plant and office equipment	Advance payments and assets under construction	**Total property, plant and equipment**
Acquisition and production costs					
Balance at January 1, 2016	13,948	49,522	10,497	0	**73,967**
Changes in the group of consolidated companies	0	0	-77	0	**-77**
Foreign currency differences	42	0	-30	0	**12**
Other additions	514	2,196	1,470	0	**4,180**
Disposals	0	505	812	0	**1,317**
Reclassifications	0	0	0	0	**0**
Balance at December 31, 2016	14,504	51,213	11,048	0	**76,765**
Accumulated depreciation					
Balance at January 1, 2015	12,587	44,543	6,497	0	**63,627**
Changes in the group of consolidated companies	0	0	-55	0	**-55**
Foreign currency differences	42	0	-45	0	**-3**
Depreciation for the year	855	2,454	1,847	0	**5,156**
Impairments	0	0	15	0	**15**
Write-ups	0	0	0	0	**0**
Disposals	0	500	697	0	**1,197**
Reclassifications	0	0	0	0	**0**
Balance at December 31, 2016	13,484	46,497	7,562	0	**67,543**
Net carrying amounts at December 31, 2016	1,020	4,716	3,486	0	**9,222**

Property, plant and equipment 2015 in EUR '000

	Leasehold improvements	Technical equipment and machinery	Other equipment, plant and office equipment	Advance payments and assets under construction	**Total property, plant and equipment**
Acquisition and production costs					
Balance at January 1, 2015	13,510	50,200	9,565	172	**73,447**
Changes in the group of consolidated companies	0	0	6	0	**6**
Foreign currency differences	403	0	-366	0	**37**
Other additions	35	1,723	2,365	0	**4,123**
Disposals	0	2,520	1,126	0	**3,646**
Reclassifications	0	119	53	-172	**0**
Balance at December 31, 2015	13,948	49,522	10,497	0	**73,967**
Accumulated depreciation					
Balance at January 1, 2015	11,538	44,243	6,053	0	**61,834**
Changes in the group of consolidated companies	0	0	0	0	**0**
Foreign currency differences	271	0	-497	0	**-226**
Depreciation for the year	778	2,812	1,903	0	**5,493**
Impairments	0	0	2	0	**2**
Write-ups	0	0	0	0	**0**
Disposals	0	2,512	964	0	**3,476**
Reclassifications	0	0	0	0	**0**
Balance at December 31, 2015	12,587	44,543	6,497	0	**63,627**
Net carrying amounts at December 31, 2015	1,361	4,979	4,000	0	**10,340**

7.4 Investment property

Investment property in EUR '000

	2016	2015
Balance at January 1	**3,048**	3,242
Changes in the group of consolidated companies	**-2,967**	0
Net gains/losses from adjustment of fair value	**0**	-562
Foreign currency differences recognized directly in equity	**-81**	368
Balance at December 31	**0**	3,048

7.5 Financial information of subsidiaries with material non-controlling interests

Subsidiaries with material non-controlling interests in percent

	12/31/2016	12/31/2015
Highlight Communications AG, Pratteln/Switzerland	**39.47**	39.47

Within the equity of Constantin Medien AG, the following amounts are attributable to non-controlling interests:

Financial information (after intercompany elimination) in EUR '000

	12/31/2016	12/31/2015
Equity attributable to non-controlling interests	**54,314**	36,846
	1/1 to 12/31/2016	1/1 to 12/31/2015
Net profit attributable to non-controlling interests	**6,090**	7,620
Other comprehensive income/loss attributable to non-controlling interests	**1,453**	144
Dividends paid to non-controlling interests	**815**	5,111

The consolidated financial information of Highlight Communications AG in their functional currency is as follows:

Financial information (before intercompany elimination) in CHF '000

	12/31/2016	12/31/2015
Current assets	**216,726**	217,873
Non-current assets	**151,805**	240,115
Total assets	**368,531**	457,988
Current liabilities	**199,024**	286,517
Non-current liabilities	**34,217**	67,644
Total liabilities	**233,241**	354,161
Net assets	**135,290**	103,827
	1/1 to 12/31/2016	1/1 to 12/31/2015
Sales	**441,656**	346,060
Profit after taxes	**20,286**	17,572
Other comprehensive income/loss after taxes	**2,291**	-9,614
Total comprehensive income	**22,577**	7,958
Cash flow from operating activities	**135,219**	174,120
Cash flow for investing activities	**-97,365**	-124,760
Cash flow for/from financing activities	**-55,634**	14,577
Cash flow for/from the reporting period	**-17,780**	63,937

Taking into account the treasury shares held by Highlight Communications AG, Constantin Medien AG applies at December 31, 2016 a mathematical consolidation share of 60.59 percent (2015: 63.39 percent).

7.6 Investments in associated companies

The Group holds investments in one associated company (2015: four) which is accounted for using the equity method in the consolidated financial statements. The following tables show the movement in the carrying values and the financial information of the associated companies in aggregate form.

Associated companies in EUR '000

Balance at 1/1/2016	193
Additions	0
Disposals	-174
Dividends received/capital repayments	-7
Share of total comprehensive income	39
Fair value adjustments	0
Foreign currency differences	-1
Balance at 12/31/2016	50
Balance at 1/1/2015	163
Additions	64
Disposals	-1
Dividends received/capital repayments	-10
Share of total comprehensive income	-32
Fair value adjustments	0
Foreign currency differences	9
Balance at 12/31/2015	193

Financial information in EUR '000

	Associated companies	
	1/1 to 12/31/2016	1/1 to 12/31/2015
Loss after taxes	**-239**	-884
Other comprehensive income	**0**	0
Total comprehensive loss	**-239**	-884
	12/31/2016	12/31/2015
Contingent liabilities (pro rata)	**0**	0

For the purpose of updating the associated companies, with respect to BECO Musikverlag GmbH, the annual financial statements as of December 31, 2015 have been applied, because financial statements as of December 31, 2016 are not yet available. In the current financial year no matters occurred that would have required an adjustment of the underlying financial statements.

The unrecognized allocable loss in the reporting year from entities accounted for at equity amounts to EUR 0 thousand (2015: EUR 313 thousand). The cumulative unrecognized allocable loss totals EUR 0 thousand (2015: EUR 1,995 thousand). The unrecognized losses are losses that exceed the value of the equity interest of the Group to an associated company or joint venture.

7.7 Other financial assets

Other financial assets in EUR '000

	12/31/2016	12/31/2015
Investment Geenee, Inc	**0**	2,525
Investment Pulse Evolution Corporation	**–**	1,587
Investment Mister Smith Entertainment Ltd.	**0**	0
Investment real estate fund	**88**	91
Non-current receivables	**331**	659
Others	**9**	9
Total	**428**	4,871

The investment in Geenee, Inc., Delaware is held by Sport1 GmbH with 5 percent, Rainbow Home Entertainment AG with 4.54 percent and Constantin Entertainment GmbH with 0.46 percent. This investment is held as financial assets available-for-sale and measured at fair value (see note 8.5.1). In the reporting year, there resulted a full impairment due to financial difficulties of the Geenee, Inc., which was recognized in the financial expenses.

The investment in Pulse Evolution Corporation, Port St. Lucie, USA, was sold at carrying value in the first quarter 2016.

The 5 percent interest in Mister Smith Entertainment Ltd., London is recognized in this item within the category financial assets available-for-sale at a carrying value of EUR 0 thousand (2015: EUR 0 thousand). In the absence of an active market for those shares, a fair value cannot be determined reliably and so this investment is recognized at acquisition cost.

The investment securities were acquired in prior financial years with the aim of profitably investing the retained earnings of one subsidiary and calling in the securities when liquidity is needed. Their fair value is constantly monitored by the management of Olga Film GmbH in order to quickly react to any value fluctuations. The securities can be called-in when needed. Constantin Medien Group accordingly classifies these securities in the category at fair value through profit or loss. The measurement is based on quoted prices. This market valuation falls accordingly within level 1 of the fair value hierarchy. Changes in fair value are recognized in the consolidated income statement.

Non-current receivables, among others, relate to value added tax payable for sales revenues which cannot yet be realized under IFRS. These receivables are discounted according to their maturity.

7.8 Inventories

Inventories in EUR '000

Net balance	12/31/2016	12/31/2015
Raw materials and supplies	**259**	259
Work in progress	**786**	2,021
Finished goods and merchandise	**15**	23
Blu-rays/DVDs	**1,516**	1,622
Total	**2,576**	3,925

Work in progress mainly relates to service productions that are in the process of development, which have not yet been assigned by a broadcaster.

In the reporting year, valuation adjustments in the amount of EUR 411 thousand (2015: EUR 249 thousand) were recognized and valuation adjustments in the amount of EUR 19 thousand (2015: EUR 53 thousand) were reversed.

7.9 Trade accounts receivable

Trade accounts receivable in EUR '000

	12/31/2016	12/31/2015
Gross balance	**68,209**	67,939
Specific valuation allowances	**-4,770**	-5,616
Total	**63,439**	62,323

Trade accounts receivable contain receivables from percentage-of-completion in the amount of EUR 6,072 thousand (2015: EUR 14,526 thousand). In respect of receivables not yet due and receivables overdue by up to 90 days, the carrying value corresponds almost to the fair value.

The expense of write-downs includes the addition for bad debts and income from the reversal of the allowance as well as expenses for receivables written-off.

Write-downs in EUR '000

Balance at January 1, 2016	**5,616**
Changes in the group of consolidated companies	**0**
Foreign currency differences	**1**
Additions	**276**
Usage	**-277**
Reversals	**-846**
Balance at December 31, 2016	**4,770**
Balance at January 1, 2015	6,064
Changes in the group of consolidated companies	0
Foreign currency differences	24
Additions	1,287
Usage	-671
Reversals	-1,088
Balance at December 31, 2015	5,616

Maturity overview in EUR '000

	Net carrying value	thereof neither impaired nor overdue as of the closing date	Days overdue less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
12/31/2016							
Trade accounts receivable	63,439	57,202	4,611	252	375	264	735
12/31/2015							
Trade accounts receivable	62,323	56,747	5,093	129	66	4	284

Trade accounts receivable overdue more than 365 days as of December 31, 2016 comprise inter alia a receivable in the amount of EUR 523 thousand, which is secured by a mortgage grant. Therefore, no valuation allowance was recognized.

7.10 Other receivables

Loan receivables include among others short-term loans in connection with the productions "Shadowhunters" and "Resident Evil 6" granted to co-producers Davis Film/Impact Pictures and Unique Features in the amount of EUR 14,984 thousand (2015: EUR 8,119 thousand). In addition, receivables from loans include a short-term loan due from Stella Finanz AG, which is a member of the voting rights pool of Bernhard Burgener, in the amount of EUR 26,461 thousand (2015: EUR 0 thousand) from the sale of treasury shares of Highlight Communications AG (see note 7.13 and 11).

Advance payments include among others payments for several future projects in the Segment Film.

Other assets include receivables due from Highlight Event and Entertainment AG in the amount of EUR 570 thousand (2015: EUR 0 thousand), thereof EUR 523 thousand (2015: EUR 0 thousand) from the capitalization of an debtor warrant in connection with the sale of Comosa AG (see note 3.1 and 11).

The carrying values of all current financial assets correspond almost to the fair value.

Other receivables in EUR '000

	12/31/2016	12/31/2015
Loans	**42,245**	9,332
Prepaid expenses	**14,601**	16,965
Receivables from promotion funds	**13,651**	9,087
Value added tax receivables	**3,161**	1,337
Derivative financial instruments	**2,311**	4,325
Advance payments	**827**	1,117
Other taxes	**689**	43
Suppliers with debit balances	**527**	553
Other assets	**7,786**	9,871
Total	**85,798**	52,630

Maturity overview in EUR '000

	Net carrying value	thereof neither impaired nor overdue as of the closing date	Days overdue: less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
12/31/2016							
Other receivables	85,798						
thereof not IFRS 7 relevant	19,791						
thereof IFRS 7 relevant	66,007	65,879	25	103	0	0	0
12/31/2015							
Other receivables	52,630						
thereof not IFRS 7 relevant	20,403						
thereof IFRS 7 relevant	32,227	32,227	0	0	0	0	0

7.11 Other financial assets

Other current financial assets in the amount of EUR 192 thousand (2015: EUR 323 thousand) include preferred shares in a Canadian partner company. The preferred shares were acquired in association with the production of the film "Resident Evil: Retribution". In the absence of an active market for those preferred shares, a fair value cannot be determined reliably and so the preferred shares are recognized at acquisition cost. In the reporting year preferred shares in the amount of EUR 149 thousand (2015: EUR 102 thousand) were sold at their carrying value. A gradual share buyback of the preferred shares is planned by the issuer in the upcoming financial years. In the financial year 2016, there resulted an impairment in the amount of EUR 0 thousand (2015: EUR 845 thousand).

7.12 Deferred tax assets

Maturity of deferred tax assets in EUR '000

	12/31/2016	12/31/2015
Current deferred tax assets	**364**	476
Non-current deferred tax assets	**2,483**	3,196
Total	**2,847**	3,672

Overall, the Group has tax loss carryforwards for corporate income taxes in the amount of EUR 626,626 thousand (2015: EUR 630,608 thousand), for trade taxes in the amount of EUR 362,487 thousand (2015: EUR 370,929 thousand) as well as foreign tax loss carryforwards in the amount of EUR 22,521 thousand (2015: EUR 21,528 thousand) for which no deferred tax assets have been recognized.

Deferred taxes were calculated at the rates which are applied or are expected to be applied in the future in the individual countries at the time of realization.

Composition of deferred tax assets in EUR '000

	12/31/2016	12/31/2015
Tax loss carryforwards	**6,006**	6,238
Intangible assets/film assets	**4,134**	336
Property, plant and equipment	**1,173**	1,183
Trade accounts receivable and other receivables	**15**	108
Inventories	**6,476**	7,929
Pension liabilities	**740**	1,508
Advance payments received	**3,995**	15,905
Trade accounts payable and other liabilities	**2,373**	2,670
Other temporary differences	**793**	235
Total	**25,705**	36,112
Offsetting against deferred tax liabilities	**-22,858**	-32,440
Deferred tax assets, net	**2,847**	3,672

Expiry of tax loss carryforwards from foreign companies
in EUR '000

	12/31/2016	12/31/2015
Expiry within 1 year	**0**	0
Expiry between 1 and 5 years	**5,801**	7,516
Expiry after 5 years	**16,720**	14,012
Total	**22,521**	21,528

7.13 Equity

Subscribed capital

The subscribed capital of the ultimate Group parent company, Constantin Medien AG, amounted to EUR 93,600,000 as of December 31, 2016 (2015: EUR 93,600,000) and is divided into 93,600,000 (2015: 93,600,000) bearer ordinary shares with a nominal value of EUR 1.00 per share.

Capital reserve/non-controlling interests

In the period from January to early February 2016 as well as in July and October 2016 Highlight Communications AG repurchased in total 2,784,683 treasury shares at a total purchase price of EUR 15,581 thousand and sold on February 4, 2016 and in the 4th quarter 2016 in total 4,871,451 treasury shares at a selling price of EUR 27,280 thousand. These transactions are disclosed in the consolidated financial statements of Constantin Medien AG as purchase or sale of non-controlling interests. As a result, the consolidation share decreased to 60.59 percent (December 31, 2015: 63.39 percent). These transactions increased the non-controlling interests by EUR 8,692 thousand and the capital reserve by EUR 3,008 thousand.

As a result of the deconsolidation of Highlight Event and Entertainment AG, Pokermania GmbH and Comosa AG, non-controlling interests decreased by EUR 2,091 thousand.

The increase in the interest in Mood Factory AG from 52 percent to 100 percent and the increase in interest in Moovie GmbH from 75.5 percent to 100 percent resulted in a reduction of the capital reserve of EUR 125 thousand and of non-controlling interests of EUR 420 thousand.

Authorized capital

Pursuant to a resolution passed by the General Meeting on June 10, 2015 the authorized capital 2013/I (EUR 11,530,780) has been replaced in favor of the creation of a new authorized capital. Thus, the Management Board, with the approval of the Supervisory Board, is granted the right to raise the share capital within a period until June 10, 2020, by a total of up to EUR 45.0 million through one or multiple issues of new bearer shares against cash or contributions in kind (authorized capital 2015). The new shares' entitlement to a dividend can be specified as deviating from § 60 para. 2 clause 3 AktG. The shareholders may also be granted a legal subscription right according to which the new shares are offered to one or several banks for acquisition or to a company on a par with them according to § 186 para. 5 AktG, with the obligation to offer them to the shareholders for subscription. The Management Board is authorized to exclude the shareholders' subscription right with the Supervisory Board's approval. The resolution concerning the authorized capital 2015 was recorded in the Commercial Register on July 2, 2015.

Conditional capital

Pursuant to a resolution passed by the General Meeting on June 10, 2015 the authorization to issue financial instruments and other instruments as well as the corresponding conditional capitals 2011/I and 2011/II ending on July 19, 2016 were revoked.

Furthermore, a resolution was passed, that the Management Board is authorized, up until June 10, 2020 with the consent of the Supervisory Board to issue on one or more occasions bearer and/or registered (i) convertible bonds and/or (ii) warrant bonds and/or (iii) conversion participation rights and/or (iv) option participating rights and/or (v) participation rights and/or (vi) participating bonds (or combinations of these instruments) in the aggregate nominal amount of up to EUR 340.0 million with a maximum term of 15 years and to grant the holders or creditors of financial instruments conversion or option rights to new no-par value bearer shares of the Company representing up to EUR 45.0 million of the nominal capital in accordance with terms of the convertible or option bonds or the terms of the conversion or participating rights. The Management Board is authorized to exclude the shareholders' subscription right with the Supervisory Board's approval. Also a resolution was passed to conditionally increase the nominal capital of the Company by up to EUR 45.0 million by the issue of up to 45,000,000 no-par value bearer shares. The resolution concerning the conditional capital 2015 was recorded in the Commercial Register on July 2, 2015.

Treasury stock

As of December 31, 2016, the balance of directly and indirectly held non-voting treasury shares amounted to 162 Constantin Medien shares with a fair value of EUR 335 taking into account the Constantin Medien shares held by Highlight Communications AG (2015: 7,422,493 shares; fair value of EUR 13,212 thousand). The Company does not have any rights whatsoever in connection with the treasury stock.

In April 2016, Highlight Communications AG had sold all held Constantin Medien shares (7,422,331 shares) at a price of EUR 2.00 per share. The sales proceeds of EUR 14,845 thousand, which led to an increase in equity, were offset by acquisition costs of EUR 17,703 thousand. The loss of EUR 2,858 thousand reduced the other reserves by EUR 1,918 thousand and the non-controlling interests by EUR 940 thousand.

Pursuant to a resolution of the General Meeting on July 30, 2014, the Company is authorized to acquire treasury shares with a computed share of subscribed capital totaling up to 10 percent of the company's share capital. The authorization can be exercised in whole or part, once or several times. The authorization applies until July 30, 2019. The acquisition of shares takes place through the stock exchange or as part of a public repurchase offer. The volume of the offer can be restricted. The Management Board is authorized, subject to the approval of the Supervisory Board, to use the shares acquired as a result of this authorization, in addition to disposing of them through the stock exchange or as part of a public purchase offer to all shareholders, to utilize them to service options or conversion rights to shares in the Company; the subscription rights of shareholders for treasury shares is excluded in this respect. In addition, the Supervisory Board is authorized to grant shares that were acquired as a result of this authorization, to members of the Management Board as a component of remuneration; the subscription rights of shareholders to treasury shares is excluded in this respect.

Other comprehensive income

The tax effects of the changes in other comprehensive income of equity for the reporting year are as follows:

Income and expenses recorded in other comprehensive income and loss 2016 in EUR '000

January 1 to December 31, 2016	Before taxes	Tax effect	After taxes
Unrealized gains/losses from foreign currency translation	231	0	**231**
Reclassification of realized gains/losses from foreign currency translation to the income statement	-92	0	**-92**
Unrealized net gains/losses from a net investment hedge	82	-22	**60**
Unrealized gains/losses of change in the fair value of available-for-sale financial assets	87	-23	**64**
Reclassification of realized gains/losses from the change in the fair value of available-for-sale financial assets to the income statement	-160	23	**-137**
Unrealized gains/losses from cash flow hedges	295	-84	**211**
Reclassification of realized gains/losses from cash flow hedges to the income statement	1,074	-107	**967**
Items that probably will be reclassified to profit or loss in subsequent periods	1,517	-213	**1,304**
Result from remeasurement of defined benefit plans	2,293	-533	**1,760**
Items that will not be reclassified to profit or loss in subsequent periods	2,293	-533	**1,760**
Income/expenses recorded in other comprehensive income and loss	3,810	-746	**3,064**

Income and expenses recorded in other comprehensive income and loss 2015 in EUR '000

January 1 to December 31, 2015	Before taxes	Tax effect	After taxes
Unrealized gains/losses from foreign currency translation	2,229	0	**2,229**
Reclassification of realized gains/losses from foreign currency translation to the income statement	0	0	**0**
Unrealized net gains/losses from a net investment hedge	-369	101	**-268**
Unrealized gains/losses of change in the fair value of available-for-sale financial assets	73	0	**73**
Reclassification of realized gains/losses from the change in the fair value of available-for-sale financial assets to the income statement	0	0	**0**
Unrealized gains/losses from cash flow hedges	-2,667	309	**-2,358**
Reclassification of realized gains/losses from cash flow hedges to the income statement	0	0	**0**
Items that probably will be reclassified to profit or loss in subsequent periods	-734	410	**-324**
Result from remeasurement of defined benefit plans	707	-9	**698**
Items that will not be reclassified to profit or loss in subsequent periods	707	-9	**698**
Income/expenses recorded in other comprehensive income and loss	-27	401	**374**

Disclosures regarding capital management

Constantin Medien AG aims to increase the capital provided on the capital market to the Company and to generate an adequate yield for the shareholders. For this purpose, the parent company of the Group employs equity by acquiring investments and funding their operations as well as its own operations. Moreover, the Constantin Medien Group can decide to pay a dividend, to pay back capital to shareholders, to issue new shares or to dispose of assets with the aim of reducing debt. Management aims to efficiently employ its equity and external capital for purposes of assuring financial flexibility on the basis of a solid capital structure and providing sufficient liquidity. Liquidity comprises inflows from operating activities, cash on hand and borrowings available.

In addition to equity, external debt is also employed for Group financing in order to raise capital profitability. To ensure that this objective is met, a profitability calculation is generally prepared for every major investment. These procedures are regularly based on a discounted cash flow method (DCF), where the weighted average cost of capital (WACC) method is applied in most cases. This is a way of methodically supporting the further raising of capital employment.

The Constantin Medien Group's liquidity is managed centrally through Constantin Medien AG for the Segment Sports and the division Others. The Highlight Communications group controls its liquidity on its own and independent of Constantin Medien AG. To monitor cash funds, Constantin Medien AG employs a liquidity report and a liquidity plan and for purposes of assessing the liquidity status the key indicator net debt, defined as current and non-current financial liabilities less cash and cash equivalents.

Constantin Medien AG's capital management comprises all balance sheet items of equity, with treasury stock deducted. In line with Group management, Constantin Medien AG monitors all external debt positions of the Segment Sports and Others. The external debt of the companies within the Highlight Communications group is locally monitored through Highlight Communications AG and Constantin Film AG.

The debt of Constantin Medien AG consists essentially of the corporate bond 2013/2018, an undrawn loan of UniCredit Bank AG (EUR 36,000 thousand) as well as a terminated loan of Stella Finanz AG (EUR 36.504 thousand). In addition, guarantee facilities exist in the amount of EUR 20,000 thousand (2015: EUR 20,000 thousand).

For external debt, financial ratios and other conditions must be met and information must be made available. Maintaining certain financial covenants was agreed to in the credit agreements of Highlight Communications AG and Constantin Film AG. The financial covenants relate to EBIT, leverage ratio, economic equity ratio and reported equity including non-controlling interests as well as to the ratio of net financial debt to operating result. In case of breach of financial covenants, the interest rate may increase. In addition, the lender has the right to exercise a termination option. As of December 31, 2016 no financial covenants are breached.

7.14 Share-based payments

The variable remuneration of the Chief Executive Officer Fred Kogel consists in addition to a variable remuneration according to reasonable dutiful discretion in particular of contractual payment entitlements to stock appreciation rights (hereinafter referred to as „stock appreciation rights"). The stock appreciation rights are based on shares of Constantin Medien AG and Highlight Communications AG and are broken down as shown in the following tables:

Constantin Medien AG shares

	Number	Issue price
	333,334	EUR 1.80
	333,333	EUR 2.10
	333,333	EUR 2.50

Highlight Communications AG shares

	Number	Issue price
	500,000	EUR 5.00

The stock appreciation rights place the Chief Executive Officer Fred Kogel in such a legal way as if he would actually own the options to the shares of the aforementioned companies, as he would have entitlement to payment of the difference between the respective issuance price and the exercise price. The exercise price is the average stock price of the respective share quoted by the daily closing auction of the XETRA trade over a period of three months before the date of exercise. The exercise of the stock appreciation rights can first be made on the 15th day of each calendar month after a waiting period of three years, which begins on October 1, 2014. After the expiry of this waiting period, the stock appreciation rights can be exercised within a period of two years. Constantin Medien AG reserves the right, instead of paying out the aforementioned difference amounts to deliver a number of bearer shares of Constantin Medien AG which corresponds to the respective difference amount, valued according to the closing rate of the XETRA trade of the Frankfurt Stock Exchange on the last trading day before the respective exercise date. The stock appreciation rights are not transferable. The variable remuneration of the Chief Executive Officer Fred Kogel is limited contractually in total.

Number and weighted average exercise price of the stock appreciation rights

	Constantin Medien AG stock appreciation rights		Highlight Communications AG stock appreciation rights	
2016	Number of stock appreciation rights	Weighted average exercise prices in EUR	Number of stock appreciation rights	Weighted average exercise prices in EUR
Outstanding at January 1	1,000,000	2.13	500,000	5.00
Granted	0	0.00	0	0.00
Exercised	0	0.00	0	0.00
Expired	0	0.00	0	0.00
Forfeited	0	0.00	0	0.00
Outstanding at December 31	**1,000,000**	**2.13**	**500,000**	**5.00**
2015				
Outstanding at January 1	1,000,000	2.13	500,000	5.00
Granted	0	0.00	0	0.00
Exercised	0	0.00	0	0.00
Expired	0	0.00	0	0.00
Forfeited	0	0.00	0	0.00
Outstanding at December 31	**1,000,000**	**2.13**	**500,000**	**5.00**

Thereof exercisable at the reporting date: none. The average maturity is ¾ years.

In the reporting period the fair value of stock appreciation rights granted was determined by the following factors:

Disclosures about the valuation of the stock appreciation rights

	12/31/2016		12/31/2015	
	Constantin Medien AG stock appreciation rights	**Highlight Communications AG stock appreciation rights**	Constantin Medien AG stock appreciation rights	Highlight Communications AG stock appreciation rights
Option pricing model	**Binomial model**	**Binomial model**	Binomial model	Binomial model
Expected volatility	**39.57%**	**23.52%**	31.80%	26.51%
Expected dividend yield	**0.00%**	**0.00%**	0.00%	3.31%
Expected option life	**3 years**	**3 years**	3 years	3 years
Risk-free interest rate	**-0.84%**	**-0.84%**	-0.35%	-0.35%
Exercise price in EUR	**1.80/2.10/2.50**	**5.00**	1.80/2.10/2.50	5.00
Weighted average exercise price in EUR	**2.13**	**5.00**	2.13	5.00

The remaining expected life of the stock appreciation rights reflects the contractual remaining term. The expected volatility is based on historical volatility of the respective share price with the same expected maturity as the stock appreciation rights granted. The dividend yield is based on the expected future dividends of their respective companies. In the reporting year EUR 233 thousand (2015: EUR 251 thousand) share-based compensation expense has been recorded. The carrying amount of the debt from share-based payments as of December 31, 2016 is EUR 496 thousand (2015: EUR 263 thousand).

7.15 Overview of provisions and liabilities

Maturity of provisions and liabilities at December 31, 2016 in EUR '000

	Less than 1 year	1 to 5 years	More than 5 years	**Total**
Non-current liabilities				
Financial liabilities	–	63,466	–	**63,466**
Advance payments received	–	14,642	–	**14,642**
Other liabilities	–	449	1,053	**1,502**
Pension liabilities	–	0	6,204	**6,204**
Provisions	–	293	–	**293**
Deferred tax liabilities	0	18,388	–	**18,388**
Total	0	97,238	7,257	**104,495**
Current liabilities				
Financial liabilities	48,750	–	–	**48,750**
Advance payments received	47,311	–	–	**47,311**
Trade accounts payable	41,584	–	–	**41,584**
Other liabilities	113,144	–	–	**113,144**
Provisions	11,861	–	–	**11,861**
Income tax liabilities	4,234	–	–	**4,234**
Total	266,884	0	0	**266,884**

Maturity of provisions and liabilities at December 31, 2015 in EUR '000

	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-current liabilities				
Financial liabilities	–	98,702	–	**98,702**
Advance payments received	–	43,496	–	**43,496**
Other liabilities	–	860	–	**860**
Pension liabilities	–	0	10,141	**10,141**
Provisions	–	263	–	**263**
Deferred tax liabilities	0	17,468	–	**17,468**
Total	0	160,789	10,141	**170,930**
Current liabilities				
Financial liabilities	96,333	–	–	**96,333**
Advance payments received	68,130	–	–	**68,130**
Trade accounts payable	46,830	–	–	**46,830**
Other liabilities	86,027	–	–	**86,027**
Provisions	8,750	–	–	**8,750**
Income tax liabilities	5,586	–	–	**5,586**
Total	311,656	0	0	**311,656**

7.16 Trade accounts payable and other liabilities

Trade accounts payable and other liabilities in EUR '000

	12/31/2016	12/31/2015
Trade accounts payable	**41,584**	46,830
Other liabilities	**113,144**	86,027
Total	**154,728**	132,857

Trade accounts payable

The reported trade accounts payable are not further securitized apart from the usual retention rights. They mainly relate to licensing and services.

Overall, trade accounts payable are current and non-interest bearing, and so the carrying value of the IFRS 7 relevant trade accounts payable corresponds almost to the fair value. Trade accounts payable contain EUR 2,674 thousand payables from percentage-of-completion (2015: EUR 3,056 thousand).

Other liabilities

At the end of May 2016, the loan from Stella Finanz AG was terminated with a 30-day notice period as of June 30, 2016. Subsequently, Constantin Medien AG agreed with Stella Finanz AG with the agreement of June 7/8, 2016 on the repayment of the loan. The prematurely termination and the resulting interest accrued to the redemption amount as of June 30, 2016 led to a deterioration of the financial result by EUR 447 thousand. In the reporting period, EUR 458 thousand of interest and custody fees were paid to Stella Finanz AG. End of June 2016 Stella Finanz AG canceled the necessary bank orders for the repayment of the loan against the issuance of collateral (pledged 24,752,780 bearer shares of Highlight Communications AG) at short-term without giving any reasons and since then is refusing the repayment of the loan. As a result, the repayment amount has been recognized as other liabilities since July 1, 2016. See also the risk and opportunities report in the combined Group management and management report, chapter 7.2.5.

Personnel related liabilities mainly relate to obligations for bonuses, vacation not taken and bonuses for Management Board members. As of December 31, 2016 a contingent purchase price liability consists from the acquisition of PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH in the amount of EUR 250 thousand (2015: EUR 724 thousand). The payment of the contingent purchase price component in the following financial years is considered to be probable and the discounted payment amount has been accrued in full under liabilities.

Other current liabilities in EUR '000

	12/31/2016	12/31/2015
Loan	**36,504**	791
Commissions, licenses and surplus guarantees	**23,784**	21,901
Personnel-related liabilities	**14,207**	16,296
Liabilities for contingently repayable loans (grants)	**10,321**	12,884
Deferred income	**7,157**	5,583
Other taxes and social security	**6,433**	5,143
Current interest payable	**4,491**	3,097
Derivative financial instruments	**3,201**	4,520
Value added tax payable	**2,814**	3,435
Customers with credit balances	**246**	406
Miscellaneous current liabilities	**3,986**	11,971
Total	**113,144**	86,027

7.17 Financial liabilities

Non-current financial liabilities

Non-current financial liabilities in EUR '000

	12/31/2016	12/31/2015
Corporate bond 2013/2018	**63,466**	63,093
Loan Stella Finanz AG	**0**	35,609
Total	**63,466**	98,702

The corporate bond 2013/2018 with a nominal value of EUR 65,000 thousand, an interest rate of 7.0 percent per annum and a maturity of five years was placed in April 2013. The issuance and value date was April 23, 2013.

The terminated loan from Stella Finanz AG was reclassified to current liabilities (see note 7.16).

Current financial liabilities

The liabilities due to banks of EUR 48,750 thousand (2015: EUR 96,333 thousand) include EUR 20,764 thousand (2015: EUR 64,003 thousand) for financing of film projects.

Short-term credit lines

At the balance sheet date the Constantin Medien Group has the following unused, short-term credit lines available:

For the repayment of the loan from Stella Finanz AG a bank loan from the UniCredit Bank AG of EUR 36,000 thousand was drawn end of June 2016. This bank loan had a maximum term until June 30, 2017 and an interest rate of EURIBOR plus 3.75 percent. Following the refusal of Stella Finanz AG to repay the loan with Constantin Medien AG, Constantin Medien AG repaid the loan granted by UniCredit Bank AG on August 16, 2016. On August 12, 2016, a further credit facility was agreed in the amount of EUR 36,000 thousand with the same bank. This credit agreement includes special termination rights of the bank, among other items, in the case of a change of control at Constantin Medien AG. The new bank loan enables the repayment of the Stella-loan at any given time up to June 30, 2017.

The Highlight Communications group has available unused short-term credit lines of EUR 150,466 thousand as of the balance sheet date (2015: EUR 149,311 thousand). The credit lines used by the Constantin Film group (production financing and license trading lines) are secured by film rights shown under film assets in the amount of EUR 116,349 thousand (2015: EUR 183,813 thousand) and by the resulting exploitation revenues as well as by receivables in the amount of EUR 34,793 thousand (2015: EUR 27,557 thousand). The security rights of the banks are used to secure all existing and future claims of the banks against Constantin Film AG. The banks are entitled to dispose of the collateral in the event of liquidation. After satisfaction of all secured claims they will be transferred back by the banks to Constantin Film AG. The credit line used of Highlight Communications AG in the amount of EUR 27,986 thousand (2015: EUR 41,567 thousand) is secured by shares in Constantin Film AG.

The drawn amounts are all due when requested in 2017. Interest pooling arrangements exist for certain short-term bank overdraft liabilities.

7.18 Advance payments received

Advance payments received mainly include EUR 17,797 thousand (2015: EUR 38,904 thousand) for cash receipts from license sales of the Constantin Film group and an advance payment received from the UEFA of EUR 43,928 thousand (2015: EUR 72,494 thousand) on the fixed agency fee. Thereof, EUR 14.642 thousand (2015: EUR 43,496 thousand) are classified as non-current.

7.19 Non-current service productions

Production contracts with a net credit balance towards customers amount to EUR 6,072 thousand (2015: EUR 14,526 thousand). Production contracts with a net debit balance due to customers amount to EUR 2,674 thousand (2015: EUR 3,056 thousand). Such amounts are reported in the trade accounts receivable or trade accounts payable position.

The contract revenues for the period amount to EUR 108,965 thousand (2015: EUR 119,998 thousand). The total costs incurred for uncompleted contracts and recognized profits (less any recorded losses) amount to EUR 12,032 thousand (2015: EUR 12,814 thousand).

7.20 Pension liabilities

Defined benefit plans

The existing defined benefit plans concern the Swiss companies of Highlight Communications group. Virtually all employees and pension recipients of these companies are insured in various pension plans. These pension plans are connected to different collective pension funds. These are separate legal entities in form of foundations and aim at the care of employees for retirement and disability as well as for the surviving dependents of these employees after death.

The pension plans grant more than the minimum benefits required by law in the case of disability, death, age and withdrawal. The risk benefits are defined in terms of the insured salary. The retirement pension is calculated on the basis of the projected interest-bearing saving capital and a conversion rate. Through these defined benefits plans, the Group is exposed to actuarial risks such as longevity, interest rate risk as well as market and investment risk.

Financing arrangements for future contributions

The occupational benefits (Federal Occupational Retirement, Surviving Dependants' and Disability Pensions Act; BVG) stipulate minimum benefits at retirement. The law requires minimum annual payments by the employer. However, an employer may also make higher contributions as required by law. These contributions are set out in the pension plan/regulation. In addition, an employer can contribute once-only payments or advances in the pension fund. These contributions cannot be repaid to the employer. However, they are available to the employer in order to settle future employer contributions (employer contribution reserve).

Although the pension fund has a statutory surplus, the law demands further annual minimum contributions. For active insured members both the employer and employee must contribute. The employer's contribution must be at least equal to the employee contribution. The minimum annual contributions are dependent on age and insured salary of the insured member. These contributions are set out in the pension plan/regulation. In the event that an insured member changes employer before he has reached the retirement age, a termination benefit is due (accumulated savings capital). This will be transferred from the pension fund to the pension fund of the new employer.

The pension plans/regulations as stated above require minimum contributions. The pension plans/regulations do not provide for additional funding requirements as long as the pension fund has a statutory surplus. In contrast, if there is a shortfall, additional contributions (restructuring contributions) are required from the insured member and employer until a balanced coverage exists again.

Pension obligation maturity profile in EUR '000

	12/31/2016	12/31/2015
Less than 1 year	**1,211**	1,399
Weighted average duration of the defined benefit plan obligation (in years)	**16.9**	15.7

Pension liabilities in EUR '000

	12/31/2016	12/31/2015
Present value of defined benefit obligation	**34,787**	40,099
Fair value of plan assets	**28,583**	29,958
Net liability arising from defined benefit obligation	**6,204**	10,141

The expected employer contributions for the financial year 2017 amount to EUR 1,226 thousand (2015: EUR 1,391 thousand).

Development of the pension liability
The recognized pension liability of defined benefit pension plans in the consolidated balances sheet is determined as follows:

Development of defined benefit obligation in EUR '000

	2016	2015
Present value of defined benefit obligation at January 1	**40,099**	36,328
Changes in the group of consolidated companies	**-5,562**	0
Current service cost (excluding employee contribution and administrative costs)	**2,009**	2,334
Employee contribution	**834**	872
Interest cost	**261**	412
Curtailment, settlement	**0**	-130
Benefits paid	**-1,206**	-3,135
Currency translation effects	**302**	4,040
Actuarial (gains)/losses arising from experience adjustments	**-1,695**	-569
Actuarial (gains)/losses arising from changes in financial assumptions	**332**	-53
Actuarial (gains)/losses arising from changes in demographic assumptions	**-587**	0
Present value of defined benefit obligation at December 31	**34,787**	40,099
thereof active insured employees	**32,373**	33,513
thereof members in retirement	**2,414**	6,586

Development of plan assets in EUR '000

	2016	2015
Fair value of plan assets at January 1	**29,958**	27,455
Changes in the group of consolidated companies	**-4,520**	0
Interest income	**192**	312
Employee contribution	**834**	872
Employer contribution	**2,792**	1,396
Administrative costs of pension fund	**-79**	-84
Benefits paid	**-1,206**	-3,135
Currency translation effects	**269**	3,058
Actuarial gains/(losses) arising from experience adjustments	**343**	84
Fair value of plan assets at December 31	**28,583**	29,958

Actual return on plan assets amounted to EUR 535 thousand in the reporting year (2015: EUR 396 thousand).

Pension costs charged to consolidated income statement in EUR '000

	1/1 to 12/31/2016	1/1 to 12/31/2015
Current service cost (excluding employee contribution and administrative costs)	**2,009**	2,334
Administrative costs of pension fund	**79**	84
Effects from curtailments and settlements	**0**	-130
Net interest expense (income)	**69**	100
Total	**2,157**	2,388

Allocation of plan assets in EUR '000

	12/31/2016	12/31/2015
Cash and cash equivalents	**131**	376
Debt instrument based on quoted market prices in active markets	**13,361**	11,633
Debt instrument based on unquoted market prices	**162**	130
Equity instrument based on quoted market prices in active markets	**2,660**	2,524
Real estate	**10,545**	9,110
Surrender values of insurance polices	**0**	4,504
Others	**1,724**	1,681
Total	**28,583**	29,958

Actuarial assumptions

The following assumptions were used in the calculation of the defined benefit obligation. In the context of the actuarial assumptions for mortality, disability and fluctuation, the new accounting basis BVG 2015 generation table has been used (2015: BVG 2010 generation table).

Actuarial assumptions in percent

	2016	2015
Discount rate	**0.60**	0.75
Pension trend	**0.00**	0.10
Salary trend	**1.50**	1.50
Average life expectancy after retirement, men (in years)	**22.38**	21.53
Average life expectancy after retirement, women (in years)	**25.42**	24.98

Sensitivity analysis

Changes in one of the relevant actuarial assumptions that would be reasonably possible at the balance sheet date, would affect the defined benefit obligation as in the following table:

Sensitivity analysis for actuarial assumptions in EUR '000

	Impact on defined benefit obligation		
	+25 BP	-25 BP	+1 year
December 31, 2016			
Discount rate (incl. change in projected interest rate)	-916	977	–
Pension trend	635	–	–
Salary trend	249	-242	–
Average life expectancy	–	–	897
December 31, 2015			
Discount rate (incl. change in projected interest rate)	-1,096	1,106	–
Pension trend	779	-284	–
Salary trend	273	-267	–
Average life expectancy	–	–	982

Although the analysis does not fully cover the expected cash outflows from the pension plans, it shows approximately the sensitivity of the assumptions. The same method was applied (present value of the defined pension liabilities calculated using the projected unit credit method at the balance sheet date) as for the calculation of the recognized pension liabilities in the consolidated balance sheet.

Defined contribution plans

Contributions recognized in the income statement for defined contribution plans (including government plans) totaled EUR 6,365 thousand in the reporting year (2015: EUR 7,822 thousand).

7.21 Provisions

Provisions in EUR '000

	Licenses and returns	Litigation costs	Personnel provisions	Provisions for warranties and other obligations	Other provisions	**Total**
Balance at January 1, 2016	4,416	696	965	1,244	1,692	**9,013**
Foreign currency differences	6	-1	0	0	4	**9**
Usage	2,636	231	189	40	66	**3,162**
Reversal	2,358	209	503	286	819	**4,175**
Accretion of discount/change in discount rate	0	0	-7	0	0	**-7**
Reclassification	0	0	0	0	0	**0**
Addition	3,717	1,294	2,492	24	2,949	**10,476**
Balance at December 31, 2016	3,145	1,549	2,758	942	3,760	**12,154**
thereof non-current	0	0	293	0	0	**293**

The provisions for licenses and returns have been recognized for unbilled licenses attributable to licensors and risks from expected returns of goods for Blu-rays and DVDs sold. The provision for returns is based on an analysis of the contractual or statutory obligations as well as historical trends and the Group's own experience.

Provisions for litigation risks were recognized to meet various pending or threatening processes. On the current status of the main proceedings we refer to the risk report in the management report (page 55). The restructuring provision for PLAZAMEDIA GmbH totaling EUR 2,432 thousand is included in provisions for personnel and litigation costs as well as other provisions.

Personnel provisions contain probable future liabilities arising from the termination of employment contracts in the amount of EUR 1,868 thousand (2015: EUR 221 thousand). The other provisions include, among others, EUR 1,104 thousand (2015: EUR 0 thousand) for outstanding losses for a project in the Segment Film.

7.22 Income tax liabilities

Income tax liabilities in EUR '000

	Germany	Rest of the world	Total
Balance at January 1, 2016	3,949	1,637	**5,586**
Foreign currency differences	0	21	**21**
Usage	4,576	2,285	**6,861**
Reversal	29	0	**29**
Reclassification	12	-11	**1**
Addition	3,006	2,510	**5,516**
Balance at December 31, 2016	2,362	1,872	**4,234**

7.23 Deferred tax liabilities

Composition of deferred tax liabilities in EUR '000

	12/31/2016	12/31/2015
Intangible assets/film assets	**30,414**	41,340
Trade accounts receivable and other receivables	**2,449**	4,963
Financial liabilities	**131**	298
Advance payments received	**3,076**	2,629
Trade accounts payable and other liabilities	**4,754**	339
Other temporary differences	**422**	339
Total	**41,246**	49,908
Offsetting against deferred tax assets	**-22,858**	-32,440
Deferred tax liabilities, net	**18,388**	17,468

Maturity of deferred tax liabilities in EUR '000

	12/31/2016	12/31/2015
Current deferred tax liabiities	**0**	0
Non-current deferred tax liabilities	**18,388**	17,468
Total	**18,388**	17,468

Development of deferred tax liabilities in EUR '000

	2016
Balance at January 1	**17,468**
Changes in the group of consolidated companies	**0**
Foreign currency differences	**2**
Usage	**960**
Reclassification	**-427**
Addition	**2,305**
Balance at December 31	**18,388**

8. Disclosures regarding financial risk management

8.1 Financial instruments according to classes

The next table presents the carrying values and fair values for financial instruments according to the respective classes as well as a classification into the different categories of financial instruments pursuant to IAS 39.

Disclosures under IFRS 7: Classes at December 31, 2016 in EUR '000

	Classification category under IAS 39	Net carrying value 12/31/2016	Of which not relevant under IFRS 7	(Amortized) at cost	Fair value through equity	Fair value through profit or loss	**Fair value 12/31/2016**
Assets							
Cash and cash equivalents	LaR	104,830		104,830			**104,830**
Cash and cash equivalents with hedging transactions	without category	–					**–**
Trade accounts receivable	LaR	63,439	-2,675	60,764			**60,764**
Receivables due from associated companies (current and non-current)	LaR	–					**–**
Other financial assets (current)							
Available-for-sale financial assets	AfS	192		192			**–**
Other receivables (current)							
Financial assets at fair value through profit or loss	FVPL	1,547				1,547	**1,547**
Designated derivative financial instruments	without category	764			70	694	**764**
Other assets with hedging transactions	without category	450	-450				
Miscellaneous other receivables (current)	LaR	83,037	-19,341	63,696			**63,696**
Non-current receivables	LaR	331		331			**331**
Other financial assets (non-current)							
Financial assets at fair value through profit or loss	FVPL	88				88	**88**
Available-for-sale financial assets	AfS	9		9			**–**
Liabilities							
Financial liabilities (current and non-current)	OL	112,216		112,216			**113,710**
Finacial liabilities (current and non-current) with hedging transactions	without category	–					**–**
Trade accounts payable	OL	41,584	-1,278	40,306			**40,306**
Other liabilities (current and non-current)							
Financial liabilities at amortized cost	OL	111,221	-18,021	93,200			**93,200**
Financial liabilities at fair value through profit or loss	FLPL	1,423				1,423	**1,423**
Designated derivative financial instruments	without category	1,778			1,335	443	**1,778**
Other liabilities with hedging transcations	without category	224	-224				

Disclosures under IFRS 7: Classes at December 31, 2015 in EUR '000

	Classi-fication cate-gory under IAS 39	Net carrying value 12/31/2015	Of which not relevant under IFRS 7	(Amortized) at cost	Fair value through equity	Fair value through profit or loss	**Fair value 12/31/2015**
Assets							
Cash and cash equivalents	LaR	122,442		122,442			**122,442**
Cash and cash equivalents with hedging transactions	without category	3				3	**3**
Trade accounts receivable	LaR	62,323	-1,376	60,947			**60,947**
Receivables due from associated companies (current and non-current)	LaR	4,789		4,789			**4,789**
Other financial assets (current)							
Available-for-sale financial assets	AfS	323		323			**–**
Other receivables (current)							
Financial assets at fair value through profit or loss	FVPL	459				459	**459**
Designated derivative financial instruments	without category	3,867				3,867	**3,867**
Other assets with hedging transactions	without category	914	-914				
Miscellaneous other receivables (current)	LaR	47,390	-19,489	27,901			**27,901**
Non-current receivables	LaR	659		659			**660**
Other financial assets (non-current)							
Financial assets at fair value through profit or loss	FVPL	91				91	**91**
Available-for-sale financial assets	AfS	4,121		1,596	2,525		**2,525**
Liabilities							
Financial liabilities (current and non-current)	OL	194,503		194,503			**201,970**
Finacial liabilities (current and non-current) with hedging transactions	without category	532				532	**532**
Trade accounts payable	OL	46,830	-881	45,949			**45,949**
Other liabilities (current and non-current)							
Financial liabilities at amortized cost	OL	79,514	-15,558	63,956			**63,956**
Financial liabilities at fair value through profit or loss	FLPL	1,502				1,502	**1,502**
Designated derivative financial instruments	without category	3,018			2,635	383	**3,018**
Other liabilities with hedging transcations	without category	2,853	-2,853				

The class of non-current financial assets measured at fair value through profit or loss contains only securities that were designated in past financial years due to the risk management strategy in accordance with IAS 39.9b)ii) as at fair value through profit or loss.

Disclosures under IFRS 7: Categories in EUR '000

	Classification category under IAS 39	Net carrying value	Of which not relevant under IFRS 7	(Amortized) at cost	Fair value through equity	Fair value through profit or loss	Fair value
December 31, 2016							
Aggregated by category							
Loans and receivables	LaR	251,637	-22,016	229,621			**229,621**
Available-for-sale financial assets	AfS	201		201			**–**
Financial assets at fair value through profit or loss	FVPL	1,635				1,635	**1,635**
Financial liabilities at amortized costs	OL	265,021	-19,299	245,722			**247,216**
Financial liabilities at fair value through profit or loss	FLPL	1,423				1,423	**1,423**
December 31, 2015							
Aggregated by category							
Loans and receivables	LaR	237,603	-20,865	216,738			**216,738**
Available-for-sale financial assets	AfS	4,444		1,919	2,525		**2,525**
Financial assets at fair value through profit or loss	FVPL	550				550	**550**
Financial liabilities at amortized cost	OL	320,847	-16,439	304,408			**311,875**
Financial liabilities at fair value through profit or loss	FLPL	1,502				1,502	**1,502**

8.2 Offsetting

In the case of derivative financial instruments, all existing derivatives with positive or negative fair value with the relevant counterparty will be netted in the event of insolvency in accordance with the contractual agreements and it only remains the net amount as a receivable or liability. As a set-off is legally only enforceable in the event of insolvency and the Group at present time neither has a legal title to set off the amounts nor intents to settle on a net basis, the derivative financial instruments are presented in the consolidated balance sheet on a gross basis.

Disclosure on receivables and liabilities due from/to associated companies are partly presented as net amount in the balance sheet as an unconditional and legally enforceable right exists and the intention is to settle on a net basis.

Cash and cash equivalents and financial liabilities are presented on a net basis, provided that an unconditional and legally enforceable right exists and the intention is to settle on a net basis.

The following tables show an overview of the offsetting made or contractually provided:

Offsetting at December 31, 2016 in EUR '000

Offsetting financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Financial assets at fair value through profit or loss	1,547	0	1,547	-145	**1,402**
Derivative financial instruments with hedging transactions	764	0	764	-135	**629**
Receivables due from associated companies (current and non-current)	0	0	0	0	**0**
Cash and cash equivalents	104,830	0	104,830	0	**104,830**
Total	107,141	0	107,141	-280	**106,861**

Offsetting financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	1,423	0	1,423	-145	**1,278**
Derivative financial instruments with hedging transactions	1,778	0	1,778	-135	**1,643**
Liabilities due to associated companies (current and non-current)	0	0	0	0	**0**
Financial liabilities (current and non-current)	112,216	0	112,216	0	**112,216**
Total	115,417	0	115,417	-280	**115,137**

Offsetting at December 31, 2015 in EUR '000

Offsetting financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabi-lities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Financial assets at fair value through profit or loss	459	0	459	0	**459**
Derivative financial instruments with hedging transactions	3,867	0	3,867	-157	**3,710**
Receivables due from associated companies (current and non-current)	4,789	0	4,789	0	**4,789**
Cash and cash equivalents	122,445	0	122,445	0	**122,445**
Total	131,560	0	131,560	-157	**131,403**

Offsetting financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabi-lities presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	1,502	0	1,502	0	**1,502**
Derivative financial instruments with hedging transactions	3,018	0	3,018	-157	**2,861**
Liabilities due to associated companies (current and non-current)	0	0	0	0	**0**
Financial liabilities (current and non-current)	194,503	0	194,503	0	**194,503**
Total	199,023	0	199,023	-157	**198,866**

8.3 Net results

The net results of the respective categories of financial instruments are shown in the following overview:

Net results for the categories under IFRS 7 in EUR '000

	From interests	From subsequent measurement			Others	Net result
2016		Change in fair value	Foreign currency translation	Impairment		
Loans and receivables (LaR)	154		602	-5,870		**-5,114**
Available-for-sale financial assets (Afs)			-4	-2,451		**-2,455**
Financial assets at fair value through profit or loss (FVPL)						
Designated						
For trading		1,188	10			**1,198**
Financial liabilities (OL)	-10,176		-2,444		7,486	**-5,134**
Financial liabilities at fair value through profit or loss (FLPL)		-2,138				**-2,138**
2015						
Loans and receivables (LaR)	326		1,011	-1,712		**-375**
Financial assets at fair value through profit or loss (FVPL)						
Designated						
For trading		57	5	-830		**-768**
Financial liabilities (OL)	-8,767	733	-2,814		4,350	**-6,498**
Financial liabilities at fair value through profit or loss (FLPL)		-576				**-576**

Impairment losses on loans and receivables (LaR) also include income from appreciations. The line item others under financial liabilities mainly relates to the effects from the reversal of accrued liabilities..

8.4 Management of financial risks

The Group is exposed to various financial risks arising from ordinary business activities and financing activities. Financial risks are sub-classified into liquidity risks, credit risks and market risks (including currency risks, interest risks and price risks). These risks are centrally monitored within the Constantin Medien Group. The risk situation is identified by the risk manager in standardized risk reports prepared on the basis of a risk management guideline in effect for the entire Group and reported to the Management Board of Constantin Medien AG. The risk presentation is also outlined in the risk report, which forms a part of the Group management report (chapter 8).

8.4.1 Liquidity risks

A liquidity risk arises if future payment obligations of the Group cannot be covered by liquidity on hand or corresponding credit facilities. To limit this risk, appropriate processes are in place within the Constantin Medien Group that continuously monitor and control cash inflow, outflow and maturities. Constantin Medien AG and the Constantin Medien Group had sufficient liquidity reserves taking into account available short-term credit facilities as of the balance sheet date. Further we additionally refer to chapter 7.2.8 and 7.6 in the combined Group management and management report.

The liquidity risk tables show the maturity structure of non-derivative financial liabilities and present an analysis of cash outflows for derivative financial liabilities and assets. These are undiscounted cash flows.

Liquidity risk at December 31, 2016 in EUR '000

December 31, 2016	Net carrying value	Cash flow 2017 Interest fixed	Cash flow 2017 Interest variable	Cash flow 2017 Repayment	Cash flow 2018 Interest fixed	Cash flow 2018 Interest variable	Cash flow 2018 Repayment
Non-derivative financial liabilities							
Financial liabilities	112,216	4,480	350	48,750	1,375		64,000
Other non-interest-bearing liabilities	133,506			133,506			
Derivative financial liabilities and assets							
Derivative financial liabilities							
Derivatives without a hedge relationship	1,423			16,194			1,412
Currency derivatives under fair value hedges	443			3,387			4,712
Other derivatives (cash flow-hedges)	1,335			19,001			9,565
Derivative financial assets							
Derivatives without a hedge relationship	1,547			31,972			17,710
Currency derivatives under fair value hedges	694			6,563			
Other derivatives (cash flow-hedges)	70			2,889			

December 31, 2016	Net carrying value	Cash flow 2019-2021 Interest fixed	Cash flow 2019-2021 Interest variable	Cash flow 2019-2021 Repayment	Cash flow 2022-2026 Interest fixed	Cash flow 2022-2026 Interest variablel	Cash flow 2022-2026 Repayment
Non-derivative financial liabilities							
Financial liabilities	112,216						
Other non-interest-bearing liabilities	133,506						
Derivative financial liabilities and assets							
Derivative financial liabilities							
Derivatives without a hedge relationship	1,423			17,649			
Currency derivatives under fair value hedges	443						
Other derivatives (cash flow-hedges)	1,335						
Derivative financial assets							
Derivatives without a hedge relationship	1,547			4,982			
Currency derivatives under fair value hedges	694						
Other derivatives (cash flow-hedges)	70						

In general, the Group companies each manage their liquidity autonomously, including current deposits of liquidity surpluses and procurement of loans to bridge liquidity shortages. Constantin Medien AG in part supports its subsidiaries and in part acts as a coordinator with banks for purposes of maintaining the most cost-effective coverage of financial requirements. In addition, the Group's creditworthiness enables the efficient use of capital markets for financing activities. This also includes the ability to issue equity and debt instruments on the capital market. Accordingly, various projects, especially in the film business, and other financing activities such as the purchase of non-controlling interests and the acquisition of treasury shares can affect the liquidity over time to a varying extent.

Liquidity risk at December 31, 2015 in EUR '000

		Cash flow 2016			Cash flow 2017		
December 31, 2015	**Net carrying value**	Interest fixed	Interest variable	Repayment	Interest fixed	Interest variable	Repayment
Non-derivative financial liabilities							
Financial liabilities	**195,035**	6,298	198	96,333	5,379		36,266
Other non-interest-bearing liabilities	**109,905**			109,350			555
Derivative financial liabilities and assets							
Derivative financial liabilities							
Derivatives without a hedge relationship	**1,502**			25,271			
Currency derivatives under fair value hedges	**382**			12,397			
Other derivatives (cash flow-hedges)	**2,636**			19,099			18,899
Derivative financial assets							
Derivatives without a hedge relationship	**459**			25,653			361
Currency derivatives under a hedge relationship	**3,867**			26,876			5,677

		Cash flow 2018-2020			Cash flow 2021-2025		
December 31, 2015	**Net carrying value**	Interest fixed	Interest variable	Repayment	Interest fixed	Interest variable	Repayment
Non-derivative financial liabilities							
Financial liabilities	**195,035**	1,375		64,000			
Other non-interest-bearing liabilities	**109,905**						
Derivative financial liabilities and assets							
Derivative financial liabilities							
Derivatives without a hedge relationship	**1,502**						
Currency derivatives under fair value hedges	**382**			5,401			
Other derivatives (cash flow-hedges)	**2,636**			18,909			
Derivative financial assets							
Derivatives without a hedge relationship	**459**						
Currency derivatives under a hedge relationship	**3,867**			2,785			

Despite unused credit lines, the Group might be forced to borrow third-party capital through the capital market or credit institutions, both to refinance existing liabilities and to finance new projects. Therefore, there is the risk that a deterioration of the economic situation could lead to financing funds not being available or not being available to the extent needed or only being available at distinctly unfavorable conditions. From today's perspective, the extent and conditions of potential third-party sources of financing that might be available are uncertain.

8.4.2 Credit risks

A credit risk exists when the debtor is unable to meet a repayment obligation for a receivable at all or on time or there is a loss in the value of assets received as collateral and thereby causes a financial loss. The credit risk includes the direct counterparty risk and the risk of credit deterioration.

Financial institutions with which the Constantin Medien Group conducts business must have good credit ratings. Moreover, possible risks on liquid funds are minimized by allocating bank deposits among several financial institutions. Furthermore, potential default risks on customer receivables are regularly evaluated and, if required, valuation allowances for bad debt are recognized. Also the default risks of key customers of the Constantin Medien Group are continuously monitored. In addition, the Company insures the risk of default caused by insolvency of a debtor by obtaining credit checks in material cases. Therefore the Group assesses the credit quality of receivables that are neither overdue nor impaired to be satisfactory.

Risks from the international distribution of film licenses are minimized by only entering into transactions with counterparties with reliable credit ratings, rights are only transferred to the counterparty upon payment and/or transactions are entered into with appropriate collaterals (e.g. letters of credit).

The maximum credit risk of the Constantin Medien Group is equal to the carrying amounts of the financial assets.

8.4.3 Market risks

Currency risk

The Constantin Medien Group is exposed to currency risks as part of its ordinary business activities. This primarily relates to the US dollar, the Canadian dollar, the Swiss franc and, due to the subsidiaries with their functional currency denominated in the Swiss franc, the Euro. Exchange rate fluctuations can give rise to undesired and unforeseeable profit and cash flow volatility.

Each subsidiary is subject to risks associated with exchange rate fluctuations when it transacts with international contractual partners and as a result incurs future cash flows that do not correspond to the functional currency of the respective subsidiary. The Constantin Medien Group does not transact business activities in currencies that are classed as particularly high risk.

In the reporting year, foreign currency translation differences of EUR -2,911 thousand (2015: EUR -1,800 thousand) have been recognized in the operating and financial result of the income statement. In return, foreign exchange differences in the amount of EUR +139 thousand (2015: EUR +2,229 thousand) from the translation of foreign subsidiaries and EUR +1,178 thousand (2015: EUR -2,358 thousand) from cash flow hedges were recorded directly in other comprehensive income.

Interest risk

Interest risk generally arises when market interest rates fluctuate, which could improve or deteriorate the proceeds from deposits or payments for money borrowed. Furthermore, an interest fluctuation risk arises from the mismatching of maturities; this risk is actively monitored by the Group, especially through observation of the trend of the interest yield curve.

The interest fluctuation risk for the Group relates predominantly to financial liabilities. At the present time, the Constantin Medien Group has available variable interest-bearing current financial liabilities and fixed interest-bearing non-current financial liabilities. The Group currently does not utilize financial instruments to hedge the interest fluctuation risk, but for certain short-term bank overdraft liabilities interest pooling arrangements exist.

In times of rising interest rates, fixed interest agreements offer a corresponding hedge against additional costs. However, in times of falling interest rates they have the disadvantage that the Company cannot profit from that development. In the case of financial liabilities without flexible arrangements for drawing and repayment, fixed interest conditions provide adequate planning assurance. By contrast, for credit agreements with high flexibility variable interest rate agreements allow to take into account future fluctuations in credit drawing (for more explanations regarding financial liabilities see note 7.17). There is also the option of establishing a fixed interest base through interest hedges where necessary.

Other price risks

Other price risks are defined as the risk that the fair value or future payments of a financial instrument may fluctuate due to changes in the market value, which has not already been incurred from interest risk or currency risk. Other price risks arise for financial assets measured at fair value through profit or loss and for available-for-sale financial assets. There is no hedging of such financial assets.

8.5 Fair value

The following table presents an allocation of financial assets and liabilities measured at fair value, or fair values to be disclosed in the notes, according to the three-level fair value hierarchy:

Fair value hierarchy at December 31, 2016 in EUR '000

	Net carrying value	Fair value			
		Level 1	Level 2	Level 3	**Total**
Financial assets					
Derivative financial instruments	2,311		2,311		**2,311**
Cash and cash equivalents with hedging transaction					
Financial assets at fair value through profit or loss	88	88			**88**
Non-current receivables					
Available-for-sale financial assets					
Financial liabilities					
Non-current financial liabilities	63,466	64,960			**64,960**
Financial liabilities with hedging transaction					
Derivative financial instruments	3,201		3,201		**3,201**
Non-current trade accounts payable					

Fair value hierarchy at December 31, 2015 in EUR '000

	Net carrying value	Fair value			
		Level 1	Level 2	Level 3	**Total**
Financial assets					
Derivative financial instruments	4,326		4,326		**4,326**
Cash and cash equivalents with hedging transaction	3		3		**3**
Financial assets at fair value through profit or loss	91	91			**91**
Non-current receivables	138		139		**139**
Available-for-sale financial assets	2,525			2,525	**2,525**
Financial liabilities					
Non-current financial liabilities	98,702	67,168	39,001		**106,169**
Financial liabilities with hedging transaction	532		532		**532**
Derivative financial instruments	4,520		4,520		**4,520**
Non-current trade accounts payable	536		536		**536**

Disclosures on level 3 financial instruments at December 31, 2016 in EUR '000

	2016	2015
Investment Geenee, Inc.		
Fair value at January 1	**2,525**	0
Acquisitions	**0**	2,451
Impairment recognized in the income statement	**-2,451**	0
Foreign currency exchange differences directly recognized in equity	**-74**	74
Fair value at December 31	**0**	**2,525**

For the determination of the fair value the own credit risk and the credit risk from the counterparty have been taken into account according to the Group's accounting and valuation principles (see note 4.3).

There have been no reclassifications between the individual categories of the fair value hierarchy. If circumstances arise which require a different classification, those are reclassified at each reporting date.

8.5.1 Fair value of financial assets and liabilities

Financial assets measured at fair value through profit or loss, which are included in level 1 are determined by quoted prices. Derivative financial instruments included in level 2 are measured at current market prices. To determine the fair value of derivative financial instruments in level 2, a discounted cash flow method has been applied. For the unlisted equity instrument measured at fair value (level 3) resulted in the reporting year a full impairment due to financial difficulties of Geenee, Inc., which was recognized in financial expenses. The fair value as at December 31, 2016 is thus EUR 0 thousand (December 31, 2015: EUR 2,525 thousand).

8.5.2 Financial assets and liabilities measured at amortized cost

Due to the short maturity at the balance sheet date, the carrying amounts of current financial assets or liabilities correspond almost to the fair value. A difference between the amortized cost and fair value exists for non-current financial debt. Non-current receivables are discounted according to their maturity.

The fair value of the non-current corporate bond 2013/2018 accounted for at amortized cost is equivalent to the XETRA-closing rate of the Frankfurt Stock Exchange at the balance sheet date, and is therefore included in level 1. in the previous year the fair value of a non-current liability due to a third party accounted for at amortized cost was determined using the discounted cash flow method. The discount rates adopted correspond to the market yield curve of a German government bond at the balance sheet date. As the market interest rate is the most significant input factor and deemed to be observable, the fair value is classified in level 2.

8.5.3 Fair value of non-financial assets and liabilities

As of December 31, 2016 no non-financial assets and non-financial liabilities have been measured at fair value.

8.6 Use of hedging instruments

Regarding material transactions, mainly in US dollar, Canadian dollar and Swiss franc, the Group aims to minimize the currency risk through the use of appropriate derivative and non-derivative financial instruments. Derivative financial instruments are entered into with credit institutions. The financial instruments largely relate to future foreign currency cash flows for film projects and other projects, license purchases and loans. The Group monitors to ensure that the amount of the hedging does not exceed the underlying transaction.

Constantin Medien AG also hedges in part the foreign currency risk of selected investments through the use of original financial instruments.

In the current financial year forward exchange contracts were purchased to economically hedge recognized foreign currency receivables and foreign currency liabilities as well as to hedge dividend payments of foreign subsidiaries of Constantin Entertainment GmbH.

8.6.1 Fair values of hedging instruments in hedge relationship

The following table shows the fair values of hedging instruments in hedge relationship for the reporting period:

Hedging instruments and derivative financial instruments with hedging relationship in EUR '000

	12/31/2016		12/31/2015	
	Asset	Liabilitiy	Asset	Liabilitiy
Foreign exchange – fair value hedges (derivatives as hedging instruments)				
Hedging instrument – forward exchange transaction	694	443	3,867	382
Foreign exchange – cash flow hedges (derivatives as hedging instruments)				
Hedging instrument – forward exchange transaction	70	1,335	0	2,636
Foreign exchange – fair value hedges (original financial instruments as hedging instruments)				
Hedging instrument – financial liabilities denominated in foreign currency	0	0	0	532
Hedging instrument – cash and cash equivalents denominated in foreign currency	0	0	3	0
Total	**764**	**1,778**	**3,870**	**3,550**

Fair value hedges
As of December 31, 2016, derivatives were designated as hedging instruments in fair value hedges in the nominal amount of EUR 14,662 thousand (2015: EUR 52,126 thousand). The hedged items primarily relate to pending purchases and sales of rights (firm commitments) in US dollar. Further cash and cash equivalents and financial liabilities in foreign currency are used as hedging instrument to hedge foreign exchange risks. They are used to hedge off-balance sheet firm commitments in US dollars and are presented as fair value hedges.

The net gains and losses from these hedging instruments and the net gains and losses of the associated hedged items are shown in the following table:

Gains and losses from fair value hedges in EUR '000

	1/1 to 12/31/2016		1/1 to 12/31/2015	
	Gain	Loss	Gain	Loss
Foreign exchange – fair value hedges (derivatives as hedging instruments)				
Hedging instrument	1,008	753	3,867	382
Hedged item	753	1,008	382	3,867
Foreign exchange – fair value hedges (original financial instruments as hedging instruments)				
Hedging instrument	0	0	3	532
Hedged item	0	0	532	3
Total	**1,761**	**1,761**	**4,784**	**4,784**

The income statement effect of changes in the fair values of the hedged item and the hedging instrument are shown in the same line item of the income statement in case of an effective hedging relationship.

Cash flow hedges
As of December 31, 2016, derivatives were designated as hedging instruments in cash flow hedges in the nominal amount of EUR 31,455 thousand (2015: EUR 56,907 thousand) to hedge against the risk of fluctuating cash flows. The hedged items mainly relate to expected and highly probable future transactions.

The unrealized results before tax from the measurement of derivatives, which were recorded in other comprehensive income, are shown in the following table:

Unrealized gains/losses from cash flow hedges in EUR '000

	Gain	**Loss**
1/1 to 12/31/2016		
Unrealized gains and losses before taxes	295	0
1/1 to 12/31/2015		
Unrealized gains and losses before taxes	0	2,667

The following gains/losses before taxes were transferred from equity to the income statement In the reporting period.

Gains/losses before taxes transferred from equity to the income statement in EUR '000

	Gain	**Loss**
1/1 to 12/31/2016		
Financial expenses	0	1,074
1/1 to 12/31/2015		
Financial expenses	0	0

It is expected that the amounts considered as of December 31, 2016 in other comprehensive income from cash flow hedges will be reclassified in the years 2017 – 2018 to the income statement.

Hedge of a net investment in a foreign operation
As of June 30, 2016, the hedging (CHF 25,000 thousand from the loan due to Stella Finanz AG) of the net investment in the subsidiary Highlight Communications AG was discontinued. The other comprehensive income (OCI) includes cumulatively EUR -287 thousand before taxes (after deduction of deferred taxes EUR -208 thousand) from this hedging transaction.

8.6.2 Derivative financial instruments without hedging relationship

Derivatives that are not or are no longer included in a hedging relationship, continue to be used to hedge a financial risk arising from operations. The hedging instruments are settled if the operative hedged item no longer exists or is expected. The nominal amounts and the fair values of derivative instruments held as of December 31, 2016 which are not designated in hedge relationships are as follows:

Derivate financial instruments without hedging relationship in EUR '000

	12/31/2016		12/31/2015	
	Nominal value	Fair value	Nominal value	Fair value
Forward exchange transactions sale				
PLN	448	-3	1,384	-7
USD	28,865	-1,302	3,832	-65
CAD	0	0	1,248	-9
ZAR	663	35	0	0
CAD/USD-Swap	0	0	8,625	-916
USD/ZAR-Swap	3,306	-102	0	0
Forward exchange transactions buy				
USD	32,638	1,277	5,914	44
CHF	0	0	18,490	-20
CHF/EUR-Swap	23,999	218	0	0
Currency options				
CHF Call	0	0	12,221	239
CHF Put	0	0	12,250	-480

8.7 Sensitivities

The sensitivity analysis shows the impact of possible changes in market rates of interest on earnings or equity. Changes in the market rates of interest affect interest income and interest expense for variable interest-bearing financial instruments. The interest sensitivity analysis has been prepared on the assumption of a change in the market rate of interest by plus 100 base points or minus 100 base points.

The currency sensitivities were calculated from the Group's perspective for the major currency pairs EUR/USD, CHF/EUR, EUR/CHF and EUR/CAD on the assumption that the exchange rate underlying the currency pair would change by 10 percent upwards or downwards and all other parameters would remain unchanged. Translation risks are not part of the sensitivity analysis. The following table presents the impact of changes in the exchange rate by 10 percent. The closing rate was used in the sensitivity analysis.

Sensitivity analysis as of December 31, 2016 in EUR '000

	Interest rate risk		Currency risk											
			EUR/USD		CHF/EUR		EUR/CHF		EUR/CAD		Total		Other price risks	
	-1%	+1%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
Financial assets														
Cash and cash equivalents	-1,048	1,048	33	-28	-757	619	19	-15	4	-3	-701	573		
Trade accounts receivable			1,619	-1,325	-70	58	56	-46			1,605	-1,313		
Receivables due from asoociated companies														
Other financial assets									21	-17	21	-17	-9	9
Other receivables without forward exchange transactions			243	-198	-2,948	2,412			1,305	-1,068	-1,400	1,146		
Forward exchange transactions			4,190	-3,429			2,695	-2,205			6,885	-5,634		
Financial liabilities														
Trade accounts payable			-537	440	66	-54	-58	48			-529	434		
Payables due to asoociated companies														
Other liabilities without forward exchange transactions			-1,450	1,186	26	-21	-2,797	2,289			-4,221	3,454		
Financial liabilities	488	-488	-42	35					-1,363	1,115	-1,405	1,150		
Forward exchange transactions			-3,005	2,458	3,174	-2,597					169	-139		
Total increase/decrease	**-560**	**560**	**1,051**	**-861**	**-509**	**417**	**-85**	**71**	**-33**	**27**	**424**	**-346**	**-9**	**9**
through equity			294	-241	3,174	-2,597					3,468	-2,838		
through income statement	-560	560	757	-620	-3,683	3,014	-85	71	-33	27	-3,044	2,492	-9	9

Sensitivity analysis as of December 31, 2015 in EUR ‘000

			Currency risk											
	Interest rate risk		EUR/USD		CHF/EUR		EUR/CHF		EUR/CAD		**Total**		**Other price risks**	
	-1%	+1%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
Financial assets														
Cash and cash equivalents	-306	1,224	99	-83	-1,022	836	129	-106	4	-3	-790	644		
Trade accounts receivable			549	-449	-527	431					22	-18		
Receivables due from asoociated companies			219	-219	-288	236					-69	17		
Other financial assets			411	-386					36	-29	447	-415	-262	262
Other receivables without forward exchange transactions			120	-98	-1	1	36	-30	6	-5	161	-132		
Forward exchange transactions			4,360	-3,567			2,282	-756			6,642	-4,323		
Financial liabilities														
Trade accounts payable			-531	434	1	-1	-25	21			-555	454		
Payables due to asoociated companies														
Other liabilities without forward exchange transactions			-1,737	1,420	179	-146					-1,558	1,274		
Financial liabilities	963	-963	-5,772	4,723			-2,668	2,183	-703	575	-9,143	7,481		
Forward exchange transactions			-875	716	5,265	-4,308	1,158	-2,035	687	-562	6,235	-6,189		
Total increase/decrease	**657**	**261**	**-3,157**	**2,491**	**3,607**	**-2,951**	**912**	**-723**	**30**	**-24**	**1,392**	**-1,207**	**-262**	**262**
through equity			1,218	-997	5,265	-4,308					6,483	-5,305	-253	253
through income statement	657	261	-4,375	3,488	-1,658	1,357	912	-723	30	-24	-5,091	4,098	-9	9

9. Segment reporting

The following segment information presented is based on the management approach. Segment identification and segment reporting are conducted on the basis of the internal reporting of the organizational units to the chief operating decision maker with respect to the allocation of resources and assessment of performance. The Company’s Management Board, as the chief operating decision maker, makes decisions about the allocation of resources to the segments and still assesses their success on the basis of key indicators for sales and segment result. The Management Board does not assess the segments on the basis of assets and liabilities.

The Group consists of the segments Sports, Film as well as Sports- and Event-Marketing. The Group management functions of Constantin Medien AG are shown as Others, which is not an operative segment. These include Group management itself, Corporate Finance, IT, Investor Relations, Controlling, Legal, Group Accounting, Corporate Communications, Internal Audit and Human Resources. Segment result is defined as profit from operations (EBIT) as this figure is used internally for performance measurement.

The Segment Sports primarily comprises activities in the areas TV and digital under the umbrella brand SPORT1 and the activities of the PLAZAMEDIA group in the production, content solution services and content marketing areas. Marketing is conducted by Sport1 Media GmbH.

In the Segment Film the activities of Constantin Film AG and its subsidiaries as well as the Highlight Communications' subsidiaries Rainbow Home Entertainment (without Comosa AG) are summarized, since they have similar economic characteristics and are comparable with regard to the nature of products, services, processes, customers and the methods of distribution. The business activities cover the development, production and exploitation of in-house productions and acquired film rights. Furthermore, fictional and non-fictional productions are produced for German and foreign TV-channels.

The Segment Sports- and Event-Marketing consists of the activities of Team Holding AG, which markets, through its subsidiaries, as its main project the UEFA Champions League. Further marketing projects are the UEFA Europa League and the UEFA Super Cup. Furthermore, the business activities of Comosa AG, whose purpose is the planning and organization of sports and entertainment events, as well as brokerage services, acquisition and exploitation of rights of any kind, was allocated to this segment until the sale of the company in December 2016.

Due to the sale of the subsidiaries Highlight Event and Entertainment AG as well as Pokermania GmbH in the first quarter 2016, the disclosures for the Segment Other Business Activities include the period from January 1 to March 31, 2016.

Sales and services transacted between business segments are generally rendered at prices that would have been agreed with third parties.

The following table shows the eliminations of intersegment relations in the reconciliation column.

Segment reporting 2016 in EUR '000

	Sports	Film	Sports- and Event-Marketing	Other Business Activities	Others	Reconciliation	**Group**
External sales	160,711	350,947	53,801	210	0	0	**565,669**
Intercompany sales	142	227	0	0	0	-369	**0**
Total sales	160,853	351,174	53,801	210	0	-369	**565,669**
Other segment income	7,816	121,430	2,419	4,152	6,654	-4,664	**137,807**
Segment expenses	-153,631	-463,590	-34,882	-3,147	-13,769	5,033	**-663,986**
thereof scheduled amortization and depreciation	-4,951	-161,341	-814	-1	-124	0	**-167,231**
thereof impairments	-641	-8,226	0	0	-15	0	**-8,882**
Segment result	15,038	9,014	21,338	1,215	-7,115	0	**39,490**
Non-allocated items							
Earnings from investments in associated companies and joint ventures							**39**
Financial income							**3,887**
Financial expenses							**-22,769**
Profit before taxes							**20,647**

Segment reporting 2015 in EUR '000

	Sports	Film	Sports- and Event-Marketing	Other Business Activities	Others	Recon-ciliation	**Group**
External sales	157,615	272,307	48,432	3,219	0	0	**481,573**
Intercompany sales	159	38	0	197	0	-394	**0**
Total sales	157,774	272,345	48,432	3,416	0	-394	**481,573**
Other segment income	7,476	85,482	2,236	155	9,146	-5,258	**99,237**
Segment expenses	-151,879	-343,354	-33,643	-4,888	-12,396	5,652	**-540,508**
thereof scheduled amortization and depreciation	-4,901	-57,398	-789	-325	-117	0	**-63,530**
thereof impairments	-2	-9,568	0	0	0	0	**-9,570**
Segment result	13,371	14,473	17,025	-1,317	-3,250	0	**40,302**
Non-allocated items							
Earnings from investments in associated companies and joint ventures							**802**
Financial income							**7,639**
Financial expenses							**-20,367**
Profit before taxes							**28,376**

Segment information by geographical region 2016 in EUR '000

	Germany	Rest of Europe	Rest of the world	**Total**
External sales	290,895	155,976	118,798	**565,669**
Non-current assets	154,909	53,838	0	**208,747**

Segment information by geographical region 2015 in EUR '000

External sales	309,056	148,130	24,387	**481,573**
Non-current assets	223,881	58,271	0	**282,152**

In the reporting year, the Constantin Medien Group generated more than 10 percent of total sales with two customers (2015: two customers).

Sales with customers

	1/1 to 12/31/2016		1/1 to 12/31/2015	
	in EUR '000	in percent	in EUR '000	in percent
Sales with customer A (Segment Sports- and Event-Marketing/Segment Sports)	56,501	10.0	50,153	10.4
Sales with customer B (Segment Film/Segment Sports)	60,368	10.7	49,560	10.3
Sales with other customers	448,800	79.3	381,860	79.3
Total sales	**565,669**	**100.0**	**481,573**	**100.0**

10. Financial commitments, contingent liabilities, other financial commitments and contingent assets

10.1 Overview

An overview of the financial commitments, contingent liabilities and other financial commitments is presented in the table below.

10.2 Financial commitments

Guarantees totaling EUR 9,000 thousand have been issued to various TV stations for service productions as of December 31, 2016 (2015: EUR 14,645 thousand). Since no evidence exists that militates against a contractual completion of the secured service productions, it is not expected that significant actual liabilities will result from these financial commitments.

10.3 Acceptance obligations for licenses

Acceptance obligations for licenses include EUR 92,843 thousand (2015: EUR 53,673 thousand) for broadcasting and transmission rights of Sport1 GmbH.

In addition, in signing license agreements, the Group ensures its access to future film rights. Financial obligations arise in the future from the purchase of film rights or from pre-productions, which amount to EUR 8,315 thousand (2015: EUR 12,526 thousand).

10.4 Other financial commitments

Other financial commitments include EUR 19,828 thousand (2015: EUR 13,574 thousand) from the development of in-house productions and primarily obligations from distribution costs and other service agreements.

Financial commitments, contingent liabilities and other financial commitments in EUR '000

	Financial commitments	Contingent liabilities	Acceptance obligations for licenses	Other financial commitments	Rental and lease obligations	Total
Balance at December 31, 2016						
Due within 1 year	9,000	0	39,678	22,734	8,538	**79,950**
Due between 1 and 5 years	0	0	59,670	34,542	13,712	**107,924**
Due after 5 years	0	0	1,810	2,607	12,634	**17,051**
Total	9,000	0	101,158	59,883	34,884	**204,925**
Balance at December 31, 2015						
Due within 1 year	14,645	0	33,862	20,696	9,231	**78,434**
Due between 1 and 5 years	0	0	32,337	26,443	11,976	**70,756**
Due after 5 years	0	0	0	38	0	**38**
Total	14,645	0	66,199	47,177	21,207	**149,228**

10.5 Rental and lease obligations

The Constantin Medien Group rents and leases office space, storage space, vehicles and equipment. Total rental and lease expenses amounted to EUR 10,523 thousand for the reporting year (2015: EUR 9,895 thousand).

The following minimum lease payments exist as of December 31, 2016, calculated based on the non-cancellable duration of the respective contracts.

Obligations under operating leases in EUR '000

	Rent for buildings and office space	Vehicle leases	Others	**12/31/2016**	12/31/2015
Due within 1 year	7,771	483	284	**8,538**	9,231
Due between 1 and 5 years	13,416	247	49	**13,712**	11,976
Due after 5 years	12,634	0	0	**12,634**	0
Total	33,821	730	333	**34,884**	21,207

10.6 Contingent assets

As of the balance sheet date there existed contingent assets from litigations which have been substantiated after the balance sheet date. See note 12, subsequent events after the balance sheet date.

11. Relationships with related companies and persons

As related persons and companies pursuant to IAS 24 to be considered for Constantin Medien AG, are persons and companies that control the Constantin Medien Group or have a significant influence over the Group or are controlled by the Constantin Medien AG or are significantly influenced.

As of December 31, 2016, the members of the Management Board and the Supervisory Board of Constantin Medien AG, the members of the Group Executive Board and the Board of Directors of Highlight Communications AG, associated companies, non-consolidated companies and parties to the voting rights pool of Mr Bernhard Burgener (Highlight Event and Entertainment AG, Dr Paul Graf, Dr René Eichenberger, The Myriad Trust, Driftwood Invest Corp., B.V.I, Mrs Dorothea Kunz, Miralco Holding AG, Mr Martin Hellstern, Mr Marcel Paul Signer, Austin AG, Stella Investment AG, VOLTAIRE PRODUCTION SARL, SOURCES DU SUD SARLAU, Stella Finanz AG) are defined as related persons and companies.

There were no business relationships between Constantin Medien AG and associated companies and joint ventures in the reporting year and in the previous year. There were transactions between Highlight Communications AG and associated companies or joint ventures in the prior-year period. The sales from services amounted to EUR 6,455 thousand and the cost of materials and licencses as well as other expenses amounted to EUR 5,954 thousand.

There exists a legal advisory agreement between Constantin Medien AG and the law firm Kuhn Rechtsanwälte, which was last revised in February 2016. Instead of the originally planned flat fee the billing for legal work and advice from the lawyers of the office is done as agreed according to the actual time spent (instead of the statutory fees). Until the resignation of Dr Bernd Kuhn from the Supervisory Board on July 18, 2016, no expenses were incurred with the law firm (2015: EUR 175 thousand).

From an agreement with Houlihan Lokey GmbH in the reporting year consulting fees of EUR 205 thousand were incurred (2015: EUR 465 thousand). Liabilities (including for services not yet billed) amount to EUR 25 thousand as of December 31, 2016 (December 31, 2015: EUR 45 thousand).

Constantin Medien AG is part of the civil rights association of former shareholders of the Formel Eins GbR ("civil rights association"). Constantin Medien AG has indirectly commissioned the co-partner, KF 15 GmbH, as a part of an agency agreement, making claims out of court and/or in court resulting from a debtor warrant as part of an agreement from February 17, 2003 with BayernLB Motorsport Ltd. and Bayerische Landesbank about the sale of the investment in Speed Investments Ltd. Between the shareholders of the civil rights association it was agreed that the costs of proceedings in this regard will be covered by Constantin Medien AG and KF 15 GmbH. In the event of a successful recovery of claims an arrangement for the distribution of proceeds after deducting the costs of asserting the rights was concluded between the shareholders of the civil rights association. The previous legal proceedings in London against Mr Ecclestone and others were terminated in 2014. However, Constantin Medien AG will continue to pursue its claims. In the reporting period a receivable due from KF 15 GmbH of EUR 25 thousand (December 31, 2015: EUR 329 thousand) as well as expenses of EUR 304 thousand (2015: EUR 0 thousand) were recognized from the aforementioned cost allocation agreement of the civil rights association. The legal disputes were settled in 2017. An agreement was reached with KF 15 GmbH about the billing of outstanding services.

In the reporting year, the investments in Highlight Event and Entertainment AG, Holotrack AG, Paperflakes AG, Kuuluu Interactive Entertainment AG as well as the Pulse Evolution Corporation and Comosa AG were sold to Mr Bernhard Burgener as well as to related companies to him. For further information see note 3.1. In this connection, a receivable due from Highlight Event and Entertainment AG from the sale of Comosa AG is recorded in other receivables in the amount of EUR 523 thousand as a result of a debtor warrant (see note 7.10). As of December 31, 2016 in total receivables due from Highlight Event and Entertainment AG amount to EUR 570 thousand (December 31, 2015: EUR 0 thousand); the income in the reporting year amounted to EUR 651 thousand (2015: EUR 0 thousand).

In the fourth quarter of 2016, Highlight Communications AG sold 4,721,451 treasury shares at a price of EUR 5.60 per share to Stella Finanz AG. In connection with this sale, a short-term loan of EUR 26,461 thousand is recorded as of December 31, 2016 under other receivables. This loan is due as of June 30, 2017. As collateral until payment of the loan, a collective power of attorney was agreed with the bank of Stella Finanz AG. Until the repayment of the loan, Stella Finanz AG will not be able to sell the shares without the consent of Highlight Communications AG (see note 7.10).

Concerning the loan relationship between Constantin Medien AG and Stella Finanz AG, we refer to note 7.16 as well as to the risk and opportunity report (see pages 55 ff), in the combined Group management and management report.

The total remuneration granted to the Management Board of Constantin Medien AG in the reporting year amounts to EUR 2,455 thousand (2015: EUR 2,245 thousand).

In the reporting year contributions in the amount of EUR 233 thousand (2015: EUR 251 thousand) in connection with the variable remuneration in the form of contractual payment entitlements from stock appreciation rights have been recorded for the Chief Executive Officer Fred Kogel in the income statement (see note 7.14). In addition, a provision for the multi-year variable remuneration for Mr Fred Kogel of EUR 175 thousand (2015: EUR 0 thousand) was recorded in the reporting year. The variable remuneration of the Chief Executive Officer Fred Kogel is in total contractually limited to a maximum amount of 50 percent of the annual fixed salaries.

For Mr Olaf G. Schröder, a provision for the multiyear variable remuneration of EUR 125 thousand (2015: EUR 0 thousand) was recorded in the reporting year.

For Dr Peter Braunhofer a provision of EUR 12 thousand (2015: EUR 0 thousand) was recorded for pro-rata remuneration.

Effective December 21, 2016, Mr Leif Arne Anders has left the Executive Board of Constantin Medien AG prematurely and will leave the Company with effect from June 30, 2017. On February 13, 2017 a termination agreement was concluded. Mr Leif Arne Anders will receive a waiting allowance of EUR 200 thousand. In addition, Mr Leif Arne Anders will be able to use the provided company car until May 31, 2017. Furthermore, a provision for an appreciation reward of EUR 100 thousand was recorded.

In the reporting year 2016, a total of EUR 1,600 thousand were paid to the former Management Board member Antonio Arrigoni (retired from the Company on June 30, 2015) as compensation for the premature loss of his employment contract and waiting allowance, of which EUR 200 thousand had an effect on the income statement (2015: EUR 1.400 thousand).

The total remuneration of the Supervisory Board of Constantin Medien AG in the reporting year amounted to EUR 299 thousand (2015: EUR 331 thousand).

Individualized information on the remuneration of the Management Board and the Supervisory Board of Constantin Medien AG can be found in the remuneration report (see pages 46 ff), which is part of the combined Group management and management report.

The remuneration of the Group Executive Board and the Board of Directors of Highlight Communications AG in the reporting year amounted to EUR 2,851 thousand (2015: EUR 5,766 thousand).

12. Subsequent events after the balance sheet date

For all information in connection with the legal dispute with Stella Finanz AG and the insider information published in accordance with Article 17 MAR by Highlight Communications AG in 2017 we refer to the information presented in the risk report in chapter 7.2.5 of the combined Group management and management report. Furthermore, we report in detail about the following events:

On June 2, 2017 Constantin Medien AG concluded a new credit agreement with UniCredit Bank AG. The new credit agreement has a term until September 30, 2017. It replaces the existing credit agreement with the bank, which was limited until June 30, 2017. The loan was drawn on June 26, 2017.

On June 12, 2017, Highlight Communications AG announced that the Board of Directors had resolved to increase the share capital to a total of CHF 63.0 million by issuing 15.75 million new shares to Highlight Event and Entertainment AG using the authorized capital. The capital increase has not yet been registered in the commercial register. After the registration of this increase in the share capital, the share of Constantin Medien AG in Highlight Communications AG would be only around 45.4 percent (previously around 60.5 percent).

On June 16, 2017, Constantin Medien AG announced that it is considering the sale of all its shares in Sport1 GmbH and Sport1 Media GmbH, which it holds through its wholly-owned subsidiary Constantin Sport Holding GmbH. Constantin Medien AG is currently conducting a structured, competitive bidding process with several prospective buyers. The conditions for the possible sale of the shareholding, in particular the purchase price, have not yet been fixed and will be subject to an in-depth examination by the Management Board prior to its decision.

The legal disputes in the so-called Formula 1 procedure were settled in 2017.

13. Other information and disclosures

13.1 Audit fees

Other operating expenses include expenses due to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the Group auditor according to the following table:

Audit fees in EUR '000

	2016	2015
Audit of statutory and consolidated financial statements	**500**	468
Audit-related services	**0**	0
Tax consulting fees	**25**	5
Total	**525**	473

Expenses are estimated to be incurred in the additional amount of EUR 26 thousand (2015: EUR 26 thousand).

13.2 German Corporate Governance Code

The Management Board and the Supervisory Board of Constantin Medien AG have agreed to apply the German Corporate Governance Code applicable to listed companies. Only a few exceptions were noted to the recommendations for compliance. The declaration of compliance pursuant to § 161 AktG (Stock Corporation Act) is published on the Company's homepage under www.constantin-medien.de

13.3 Number of employees

The average annual number of employees within the Group developed as follows.

Number of employees

	2016	2015
Salaried employees	**1,142**	1,305
Freelancer	**416**	466
Total	**1,558**	1,771

13.4 Executive bodies of the Company

Management Board

- Fred Kogel, Munich (Chief Executive Officer)
- Dr Peter Braunhofer, Gilching (Chief Financial Officer since December 21, 2016)
- Olaf G. Schröder, Munich (Chief Operating Officer Sports)
- Leif Arne Anders, Oberhaching (Chief Financial Officer from March 1, 2016 until December 21, 2016)
- Hanns Beese, Inning am Ammersee (Chief Financial Officer until February 29, 2016)

All members of the Management Board are not active in any other Supervisory Board, Board of Directors or Advisory Board.

Supervisory Board

- Dr Dieter Hahn, Managing Director, KF 15 GmbH, Munich (Chairman)
- Dr Bernd Kuhn, Lawyer, Kanzlei KUHN Rechtsanwälte, Munich (Deputy Chairman until July 18, 2016)
- Andrea Laub, Director Finance and Head Shared Services Burda Style Group, Munich (Deputy Chairman since September 19, 2016)
- Jan P. Weidner, Consultant, Houlihan Lokey GmbH, Frankfurt am Main
- Jean-Baptiste Felten, Managing Director, Felten & Cie AG, Wilen b. Wollerau/Switzerland
- Stefan Collorio, Tax Advisor, German Public Auditor, M-Audit GmbH, Munich (since February 11, 2016)
- Jörn Arne Rees, Strategy Advisor, New York/USA (since

Ismaning, June 29, 2017
Constantin Medien AG

Fred Kogel
Chief Executive Officer

Dr Peter Braunhofer
Chief Financial Officer

Olaf G. Schröder
Chief Operating Officer Sports

Responsibility Statement

Responsibility Statement
”To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Constantin Medien Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Constantin Medien Group, together with a description of the principal opportunities and risks associated with the expected development of the Constantin Medien Group.”

Ismaning, June 29, 2017
Constantin Medien AG

Fred Kogel
Chief Executive Officer

Dr Peter Braunhofer
Chief Financial Officer

Olaf G. Schröder
Chief Operating Officer Sports

Auditor's Report

"Auditor's Report
We have audited the consolidated financial statements prepared by the Constantin Medien AG, Ismaning, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Constantin Medien AG, Ismaning, for the business year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to our duties we refer to the fact that the company's ability to continue as a going concern is threatened by risks which are described in section 7 "Risks and Opportunities Report", subsection 7.6 "Risks and Opportunities of Constantin Medien AG" of the combined management report. In this section it is stated that the company's ability to continue as a going concern is dependent on the conclusion of an appropriate follow-up financing for expiring financing measures."

Munich, June 29, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Katharina Deni	**Klaus Bernhard**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Finance Calendar 2017

June 30, 2017
Annual Report 2016

July 2017
Quarterly statement for the first quarter of 2017

August 23, 2017
Annual General Meeting (AGM) for the financial year 2016

August 2017
Interim Financial Report 2017

September 6, 2017
Zürcher Kapitalmarkt Konferenz (Capital Market Conference, Zurich)

November 2017
Quarterly statement for the third quarter of 2017

Imprint

Published by
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