CONSTANTIN
MEDIEN AG

ANNUAL REPORT 2018

KEY FIGURES

Key Figures in EUR million

	12/31/2018	12/31/2017
Balance sheet total	**91.0**	175.1
Subscribed capital	**93.6**	93.6
Equity	**60.2**	62.9
Equity ratio (in percent)	**66.1%**	35.9%
Net liquidity/debt	**12.4**	-43.0
	1/1 to 12/31/2018	1/1 to 12/31/2017
Revenues	**119.1**	263.8
Sports	**119.1**	139.1
Film	**–**	100.3
Sports- and Event-Marketing	**–**	24.4
Profit from operations (EBIT)	**-2,8**	36.7
Net profit	**-4.4**	28.8
Net loss/profit attributable to shareholders	**-4.3**	27.8
Cash flow from operating activities	**-7.4**	19.6
Cash flow from investing activities	**64.1**	-120.4
Cash flow from financing activities	**-64.2**	17.5
	12/31/2018	12/31/2017
Shares outstanding in million	**93.6**	93.6
Share price in Euro	**1.90**	2.30
Market capitalization (based on shares outstanding)	**177.8**	215.3
	1/1 to 12/31/2018	1/1 to 12/31/2017
Average number of shares outstanding (basic) in million	**93.6**	93.6
Earnings per share (basic) in EUR	**-0.05**	0.30
Earnings per share (diluted) in EUR	**-0.05**	0.30
Employees including freelancers (at closing)	**583**	569


kfzteile24
MANN FILTER
KRAMM
BSU
Valvoline
ROLLER
Clever einrichten!
DEKRA
precote
HB RACING
AFTC


25
CCM
OVECHKIN
8


SANÉ
19


William HILL
WORLD DARTS CHAMPIONSHIP
501 SCORE 501
0 LEGS 2
0 SETS 1
180


DER CHECK24
DOPPELPASS
CHECK24


EVONIK
sport1

CORPORATE STRUCTURE

Simplified corporate structure as of December 31, 2018

OPERATIONAL HIGHLIGHTS 2018

JANUARY 2018

“25 years right in the middle” rather than just on the sidelines: Germany’s leading 360°sports platform SPORT1 celebrates its anniversary – on January 1, 1993, Deutsches SportFernsehen went on-air.

The World Darts Championship sets new records with 2.15 million viewers on average and a peak of 2.73 million.

SPORT1 launches its new video platform which combines the full livestream and VoD offer in one central place.

German 2nd Bundesliga highlights in “Sky Sport News HD: 2. Bundesliga” can also be seen in parallel on Friday and Sunday nights on SPORT1 from the beginning of the second half of the season.

FEBRUARY 2018

The three-year exclusive cooperation between SPORT1 and Team Sauerland launches in February with the first boxing events.

For the Winter Olympics, SPORT1 MEDIA secures, among others, Zurich Versicherung and Toyota as advertising customers.

PLAZAMEDIA takes over the studio production for the format “ZWANZIG18” for the Olympics for Discovery and Eurosport.

MARCH 2018

Constantin Medien bundles the marketing activities in the fields of betting, poker, casino, lottery and related game offerings in the newly created MAGIC SPORTS MEDIA.

As of March 1, the successful social media engagement of SPORT1 is further promoted with the bundling of activities on external platforms in the new unit New Platforms.

SPORT1 broadcasts the Final of the Virtual Bundesliga for the German Championship in EA SPORTS FIFA 18.

APRIL 2018

SPORT1 and ESL continue their partnership: ESL Frühlingsmeisterschaft and ESL One Hamburg are broadcast live.

SPORT1 broadcasts the Porsche Carrera Cup Deutschland 2018 and 2019, too.

DFB-Pokal from the 2019/20 season live for the first time on private free-TV: SPORT1 acquires live and highlight rights from DFB for its TV and digital platforms until 2021/2022.

MAY 2018

SPORT1 presents FIA WEC also in 2018/19 and shows FIA Formula 2 Championship on SPORT1+.

For the Ice Hockey World Championship, SPORT1 MEDIA forms advertising partnerships with ŠKODA, Betway and Campingaz.

“Der CHECK24 Doppelpass“ achieves its best season ratings for five years with one million viewers on average.

SPORT1 acquires rights to the UEFA Under-17 EURO and the UEFA Youth League until 2020/21 and the UEFA Women’s Champions League finals until 2018/19.

SPORT1 acquires highlight rights to all 64 matches of the 2018 FIFA World Cup™ for free distribution on SPORT1.de and the SPORT1 Apps.

JUNE 2018

SPORT1 offers 360° reporting for the soccer World Cup – with, among others, “CHECK24 WM Doppelpass”, “WM Aktuell” and a daily talk show on SPORT1.de and YouTube.

SPORT1 MEDIA wins World Cup partners such as CHECK24, O_2, LG Electronics, bwin and Tipico.

SPORT1 launches the new customizable soccer app “iM Football” for the 2018 FIFA World Cup™ with which football fans can compile individual news feeds.

As part of a new cooperation with the Volleyball Bundesliga (VBL), SPORT1 will be broadcasting the men‘s and women’s national leagues up until the 2020/2021 season.

For its multimedia reporting on the World Darts Championship, SPORT1 is presented with the German Prize for Online Communication in the “Event & Live Experience” category.

JULY 2018

SPORT1 expands its offer in the “Home of Motorsport” for 2018 and 2019 to include a new high-quality series with the FIA World Rallycross Championship (WRX).

SPORT1 acquires rights to the International Champions Cup until 2020 and launches the highlight magazines “3. Liga Pur” and “Futeboool! – Das brasilianische Fußball-Magazin”

Before the start of the new season, PLAZAMEDIA expands the production infrastructure for its DAZN customers.

AUGUST 2018

Constantin Medien acquires a majority interest in the event and sports consulting agency Match IQ headquartered in Hamburg.

PLAZAMEDIA successfully commissions its new IP-based broadcast center – with production and workflow management from remote production to archives.

The FIFA eWorld Cup 2018™ is broadcast on SPORT1 in cooperation with FIFA, as previously with qualification events of the EA SPORTS™ FIFA 18 Global Series.

As a media partner of gamescom 2018, SPORT1 shows highlights of the world’s largest gaming fair.

With “Die PS PROFIS – Schule”, a further format under the well-known “PS PROFIS” brand launches on SPORT1.

With Germany‘s first boxing talent show “SPORT1: The Next Rocky”, SPORT1 launches an innovative 360° format with videos and digital web series, semi-finals and final live on TV.

For the 2018/19 Bundesliga season, SPORT1 MEDIA markets the environments to prestigious partners, such as CHECK24, Clausthaler Alkoholfrei, Honda and Hankook.

SEPTEMBER 2018

The BBL continues live on SPORT1: SPORT1 acquires rights to the easyCredit Basketball Bundesliga until 2022/23.

At the start of the UEFA Champions League, “Fantalk” is further expanded with programs on Tuesdays and on Wednesdays, too.

OCTOBER 2018

SPORT1 mourns boxing legend Graciano Rocchigiani. The former world champion dies in a car accident at the age of 54. He was involved as an expert in boxing broadcasts as well as a mentor and juror with “SPORT1: The Next Rocky”.

PLAZAMEDIA has been commissioned once again by FIBA Media with production for the Basketball Champions League and is taking over establishing an archive for the Handball Bundesliga.

Match IQ extends the cooperation with Eintracht Frankfurt and supports the Volleyball Bundesliga with the realisation of the comdirect Supercup 2018.

NOVEMBER 2018

SPORT1 and Deutscher Eishockey-Bund extend their long-standing and successful partnership until 2024.

SPORT1 broadcasts in cooperation with PDC Europe the BILD Superleague Darts held for the first time.

SPORT1 announces the launch of the first eSports channel in the German-speaking region: eSPORTS1 goes on-air on January 24, 2019 after a one-year planning phase.

SPORT1 MEDIA commissions Goldbach Austria with the marketing of the SPORT1 free-TV offering in Austria for four years from 2019.

Match IQ agrees a sport and event trips cooperation with HRG Sports Europe and becomes the “Official Partner of the Deutsche Triathlon Union (DTU)”.

DECEMBER 2018

Germany’s biggest eSports casting is launched: From December, SPORT1 looks for talented commentators and hosts for its new channel eSPORTS1.

The BBL Pokal returns to free-TV: SPORT1 acquires the corresponding rights and broadcasts in 2018/19 one semi-final and the final.

For the Darts World Championship, SPORT1 MEDIA agrees advertising partnerships with, among others, Krombacher, bwin, Maschinensucher.de, McDart, DAZN, Jimdo.de and Sony Music Entertainment.

In the 2018 business year, LEiTMOTiF extends partnerships with customers such as FALKEN, Wire7, Hankook and Volkswagen and wins ARES Design and PV Automotive as new customers.

CONTENT

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.


HEINZ VON HEIDEN
MASSIVHÄUSER
LIQUI MOLY
8
WARRIOR
16
RAUCH
Red Bull

FOREWORD BY THE CHIEF EXECUTIVE OFFICER

Dear shareholders, dear employees, and dear friends of the Company,

2018 was a year in which we laid key foundations for the future. Right at the beginning of the financial year, the Highlight group, in the framework of a public takeover bid had increased its existing share of almost 30 percent to 78.38 percent and by December 31, 2018 increased it further to 79.18 percent. Thanks to the now finally clear majority structure at Constantin Medien AG, we have the necessary support to continue on our chosen path of focussing on the Sports division. We can now adopt strategic decisions and resulting operational measures in a consistent and efficient manner.

In April 2018 we paid back our corporate bond 2013/2018 in full from our own funds and relieved our Group of all its debts – this will improve our financial result on a sustained basis. After the repayment of the corporate bond and the receipt of funds from the sales of Highlight Communications AG shares, after several years we now have net liquidity instead of net debt since April 2018. As a result, we have created some financial leeway for ourselves and are now able to make important investments for the future in order to thoroughly exploit in particular the opportunities of the digital transformation and the rapidly changing usage behaviour of media consumers.

In operational terms, the strengthening of SPORT1's position as the leading 360° sports platform in the German-speaking countries has – among other things with the launch of a new video platform on SPORT1.de and a further promotion of our eSports activities – led to positive developments in the digital area. We have also continued to invest in the production infrastructure for PLAZAMEDIA and in June commissioned Europe's most modern IP-based broadcasting center. In March, we founded MAGIC SPORTS MEDIA GmbH. This means that we can offer, for example, companies in the gaming and gambling industry, various media companies and sports associations, leagues and clubs a comprehensive range of services. By acquiring in August the majority share in the full service event and sports consulting agency Match IQ, we have expanded our range of services across the whole value chain in the sports media area to include the creation, organization, mediatization and marketing of events, and are creating new, innovative sources of revenue. On the basis of this unique positioning on the German-speaking sports business market, we are able to offer current and potential partners excellent opportunities for brand showcasing.

With our extensive service portfolio, we are a strong player in the sport and media industry. We recognise trends early on and implement ideas quickly and sustainably – eSports is a good example of this. With the launch of the first eSports channel in Germany, Austria and Switzerland in January 2019, we expanded our commitment again considerably. The successful launch of eSPORTS1 is a further milestone by which we are developing our position as a leading medium in the German-speaking eSports community and further promoting the presence of eSports in media and in public.

For us, passion for sports and sports services stands above everything else, whether this be our established core sports soccer, motorsports, ice hockey, basketball, volleyball, boxing, darts, tennis and US sports, or indeed new areas such as eSports.

Ranking among our ratings highlights is in particular soccer, with frequent attractive national and international live matches as well as well-known flagship programs such as “Der CHECK24 Doppelpass”. This August will see a special premiere for us: The DFB Cup will be broadcast live on private free-TV for the first time. From the first-round matches to the quarter finals, one top match of each round will be broadcast live on SPORT1 and via livestream on SPORT1.de. Thanks to our strong positioning we were able to acquire a comprehensive rights package in April 2018, including also highlights on free-TV and on the digital platforms of SPORT1.

The successful acquisition of the rights to the DFB- Cup and also the further expansion of our partnerships with other sports media platforms underpin our strategy: The primary focus continues to be on strengthening the portfolio to include significant and wide-ranging sports events and the development of new offerings and marketing environments, especially in the digital area. Our objectives: We want to show, integrate and capitalize our content across platforms in the best way possible. All these successes and achievements are not yet reflected sufficiently in our key financial figures for the last year. This is due on the one hand to the asymmetric comparison with the previous year, because in 2017 the results of the Highlight group to June 12 were still included in the consolidated group result. On the other hand, with PLAZAMEDIA we were still not able to fully compensate for the Sky contract which expired on June 30, 2017. For PLAZAMEDIA, 2018 is therefore a transition year; for 2019 we are expecting a significant improvement based on the measures already implemented.

On a comparable basis, however, i.e. without profit contributions from Highlight Communications AG, we significantly improved the year-on-year operating result in the Group as a whole in 2018 from EUR -6.6 million to EUR -2.8 million and the consolidated earnings attributable to shareholders from EUR -11.1 million to EUR -4.3 million respectively. In the current 2019 financial year we will see further progress in growth and profitability for Constantin Medien, in particular a significantly improved EBIT in comparison to 2018.

I thank you, our investors and shareholders, for your trust. I would also like to thank all our partners, customers and banks. Our cooperation with you motivates and incentivizes us to do our best. At Constantin Medien, we all pull together as a team. For this I sincerely thank all employees.

The media industry is facing major challenges. We are actively shaping this transition. Technical developments open up attractive new perspectives for us. These opportunities should be seized!

Yours sincerely,

Olaf G. Schröder
Chief Executive Officer


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BOARDS

Management Board

As of December 31, 2018, the Management Board of Constantin Medien AG was structured as follows*:

Olaf G. Schröder, Chief Executive Officer
Mr Olaf G. Schröder has been CEO of Constantin Medien AG since August 2017. In this function he co-ordinates the Management Board's policy and is responsible for the strategic development of Constantin Medien AG, the M&A activities, Communications and Human Resources as well as for the activities of the major Constantin Medien subsidiaries including Sport1 GmbH, Sport1 Media GmbH, Magic Sports Media GmbH, Match IQ GmbH, PLAZAMEDIA GmbH and LEiTMOTiF Creators GmbH. Previously, he had already belonged to the executive committee of Constantin Medien AG as COO Sports since January 1, 2016. In parallel to his Management Board mandate, he continues to be Chairman of the Management of Sport1 GmbH.

Dr Matthias Kirschenhofer, Chief Officer Legal and Finance
Dr Matthias Kirschenhofer was appointed Chief Officer Legal and Finance of Constantin Medien AG as of September 2017. In this function he is responsible for the areas of Legal, Compliance, Finance, Corporate Finance, Accounting, Controlling, Internal Audit, Investor Relations, Administration and IT. In parallel, he will continue to be Managing Director of Sport1 Media GmbH.

Supervisory Board

As of December 31, 2018, the Supervisory Board of Constantin Medien AG was structured as follows*:

Dr Paul Graf, Chairman of the Supervisory Board

Thomas von Petersdorff-Campen, Deputy Chairman of the Supervisory Board

Edda Kraft, Member of the Supervisory Board

Andreas Benz, Member of the Supervisory Board

Dr Gero von Pelchrzim, Member of the Supervisory Board

Markus Prazeller, 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 financial year 2018, the Supervisory Board of Constantin Medien AG – according to its duties under applicable law and the articles of incorporation – provided the Management Board of Constantin Medien AG with extensive advice and monitored its work.

The Management Board provided the Supervisory Board with regular, timely and comprehensive written and oral reports regarding the Company's business performance, planning, situation, risk situation and risk management. Based on these reports, the Supervisory Board dealt extensively with the business performance of and significant issues affecting Constantin Medien AG and the Constantin Medien Group.

Members of the Supervisory Board

According to Sec. 5, No.1 of the articles of incorporation of Constantin Medien AG, the Supervisory Board consists of six Members. They are Dr Paul Graf (Chairman), Thomas von Petersdorff-Campen (Deputy-Chairman), Edda Kraft, Andreas Benz, Dr Gero von Pelchrzim and Markus Prazeller.

Committees of the Supervisory Board

In the financial year 2018 as in previous years, the Supervisory Board formed two standing committees, the Nominating and Legal Committee and the Audit Committee. Two ad hoc committees were formed and later dissolved in the financial year 2018, i.e. „Group Financing Committee I" and „Group Financing Committee II". The ad hoc committees instituted in the previous year, i.e. the „Left Turn" steering committee, the „Special committee to support a special representative appointed at the 2017 General Meeting and to investigate any other breaches of duty by former Board Members" (hereinafter „Special Investigative Committee") and the „Takeover Committee" were dissolved in the financial years 2018 and 2019.

Meetings of the Supervisory Board

The Supervisory Board of Constantin Medien AG met a total of seven times in the financial year 2018. With the exception of a regular meeting from which one Member was excused, all Members of the Supervisory Board participated in the abovementioned Supervisory Board meetings. In the financial year 2018, all Members of the Management Board participated in all of the Supervisory Board meetings in order to report to the Supervisory Board and answer its questions. There was also constant contact between the Management Board and the Members of the Supervisory Board outside such meetings, so that the Supervisory Board was always aware of the business situation of Constantin Medien AG and the Constantin Medien Group. This applies particularly to the Chairmen of the Management and Supervisory Boards. The Supervisory Board also adopted resolutions outside of meetings on the basis of helpful information.

In the financial year 2018, the Supervisory Board focused primarily on the following processes and issues:

Business situation and performance: The Supervisory Board kept itself updated on the business situation of Constantin Medien AG and the Constantin Medien Group. The business situation in the Group was discussed at length and in detail. The Management Board reported on day-to-day business performance, possible variations from planning and changes in the strategic environment.

Corporate strategy and strategic medium-term planning of the Group: The Supervisory Board also dealt extensively and repeatedly with the corporate strategy of the Constantin Medien Group, especially in light of the structuring and optimization of the TV and Digital divisions of Sport1 GmbH and the future business model of PLAZAMEDIA GmbH.

Refinancing corporate bond 2013/2018: Especially in the first quarter of the financial year 2018, the Supervisory Board dealt with corporate bond 2013/2018, which expired in the financial year 2018. The resolution was delegated to the committees constituted specifically for this purpose, „Group Financing Committee I" and „Group Financing Committee II" and the corresponding resolutions were adopted in these committees. The resolutions adopted in the committees made it possible for the Supervisory Board to deal with the refinancing issues quickly and efficiently.

Reviewing and asserting claims, especially against former Board Members: Throughout the financial year 2018, the Supervisory Board and the Nominating and Legal Committee dealt with reviewing and asserting the Company's claims. This included in particular dealing with the work of the special representative of the company appointed by the General Meeting in 2017, who initiated a lawsuit against a former Board Member of the Company and the companies controlled by him. The Supervisory Board also dealt with continued review of additional claims by the special representative. In the financial year 2018, the Supervisory Board also dealt extensively with claims asserted by the Company, represented by the Management Board; this in particular if and to the extent that such claims can also affect former Board Members.

Legal opposition to General Meeting resolutions: The Supervisory Board pursued the actions opposing the resolutions of past General Meetings. The action against the resolutions of the 2017 General Meeting (including the resolution regarding the election of Supervisory Board Members) was dismissed in its entirety by Munich Regional Court I on March 14, 2019. The court decided in favor of Constantin Medien AG, thus confirming the validity of the resolutions of the General Meeting.

Members of the Management Board

Management Board Member Olaf Gerhard Schröder remains in office as the CEO; Dr Matthias Kirschenhofer remains in office as the other Member of the Management Board.

Committee work

The **Nomination and Legal Committee**, consisting of Dr Paul Graf (Chairman), Thomas von Petersdorff-Campen (Deputy Chairman) and Markus Prazeller, met twice in the financial year 2018. The committee‘s responsibilities include preparing and negotiating the employment contracts of the Members of the Management Board. It also draws up suggestions for suitable candidates for the Supervisory Board, who must be elected by the General Meeting. It advises and monitors the Management Board, especially its compliance with applicable law.

The **Audit Committee**, consisting of Thomas von Petersdorff-Campen (Chairman), Andreas Benz (Deputy Chairman) and Dr Paul Graf, met four times in the financial year 2018. The Audit Committee supports the Supervisory Board in carrying out its monitoring function, especially in the areas of accounting, internal controlling systems, risk management system, appointment and monitoring of the auditor and compliance.

Each Chairman of the two standing committees reports regularly to the full Supervisory Board regarding his committee‘s work.

The **Takeover Committee**, which was comprised of the Supervisory Board Members Thomas von Petersdorff-Campen (Chairman), Edda Kraft (Deputy Chairman) and Dr Gero von Pelchrzim, did not meet in the reporting period because, in the previous year, it had completed the tasks with which it had been entrusted in connection with the takeover of the Company, which was finalized on February 13, 2018. The committee Chairman reported on this to the Members of the Group Supervisory Board before the committee was dissolved on March 26, 2018.

Group Financing Committee I was constituted by means of a resolution dated March 19, 2018 and consisted of Thomas von Petersdorff-Campen (Chairman), Edda Kraft (vice Chairman) and Gero von Pelchrzim. The committee‘s duties and authorizations were in advising, deciding and adopting resolutions regarding the Supervisory Board‘s consent to refinancing the existing corporate bond. After completing the tasks assigned to it and reporting to the Group Supervisory Board, the committee was dissolved on March 26, 2018. Before this, in its meeting on March 22, 2018, the committee had resolved to consent to the sale of stock in Highlight Communications AG owned by Constantin Medien AG.

Group Financing Committee II was constituted by means of a resolution dated April 4, 2018 and consisted of Thomas von Petersdorff-Campen (Chairman), Edda Kraft (Deputy Chairman) and Gero von Pelchrzim. The committee‘s duties and authorizations were in advising, deciding and adopting resolutions regarding the possible sale of stock in Highlight Communications AG in order to remove remaining liquidity risks. After completing the tasks assigned to it and reporting to the Group Supervisory Board, the committee was dissolved on May 7, 2018. Before this, in its meeting on April 11, 2018, the committee had resolved to consent to the sale of stock in Highlight Communications AG owned by Constantin Medien AG.

The **Steering Committee** „Left Turn“ no longer met in the reporting year because the questions with which it dealt had been answered and thus, when its Members left the Supervisory Board in August 2017, no new Members were appointed to it, and it was later dissolved.

The **Special Investigative Committee** did not meet in the reporting period because the group Supervisory Board dealt with the tasks which were originally intended for this committee. The committee was dissolved on December 18, 2018.

Corporate Governance

During the reporting year, the Supervisory Board also dealt with various corporate governance issues on the basis of guidelines and recommendations of the German Corporate Governance Code. This included the appropriateness of the remuneration of the Members of the Management Board.

Explanations of the information in the management report and Group management report of the Company pursuant to sec. 289a para.1 and sec. 315apara. 1 German Commercial Code

In the Group management report and the management report for the financial year 2018, Constantin Medien AG provides information pursuant to Sec. 289a para. 1 and Sec. 315a para. 1 German Commercial Code. The information is provided in implementation of EC Directive 2004/25 of the European Parliament and the Council from April 21, 2004 regarding takeover offers. Every company that has voting stocks that are listed on an organized market within the meaning of Sec. 2(7) German Securities Acquisition and Takeover Act must provide such information regardless of whether a takeover offer has been made or is to be expected. The information serves to enable potential bidders to make a comprehensive assessment of Constantin Medien AG and of any hindrances to a takeover. The Supervisory Board examined the corresponding information in the combined management report and Group management report. Details on these topics can be found in the combined management report and Group management report (Chapter 6).

Annual Financial Statements

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft München (Auditor), which was commissioned to audit the annual financial statements, audited the annual financial statements of Constantin Medien AG, the consolidated annual financial statements and the combined management report and Group management report dated December 31, 2018, and issued an unqualified audit opinion. The annual financial statements, the consolidated annual financial statements and the management report of Constantin Medien AG and Constantin Medien Group were submitted in a timely manner to all Members of the Supervisory Board along with the audit reports, enabling them to carefully examine the documents. In the Supervisory Board‘s meeting on March 15, 2019, the Auditor reported on the key findings of its audit. The Supervisory Board comprehensively examined the annual financial statements of Constantin Medien AG and the Constantin Medien Group, as well as the combined management report and Group management report, and noted and approved the Auditor‘s findings. Following the completion of its examination on March 15, 2019, the Supervisory Board did not raise any objections to the annual financial statements and the consolidated annual financial statements. It approved the annual financial statements and the consolidated annual financial statements of Constantin Medien AG drawn up by the Management Board. Thus, the annual financial statements and consolidated annual financial statements are adopted.

Examination of the Management Board‘s report on relationships with affiliates (Dependent Company Report)

The Management Board drew up a report on its relationships to affiliates („Dependent Company Report“) for the financial year 2018. In it, the Management Board stated in particular that Constantin Medien AG received appropriate consideration in every legal transaction listed in the Dependent Company Report according to the circumstances of which the Management Board was aware when the transactions took place. As Auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft München audited the Dependent Company Report and issued the following auditor‘s report:

„According to our obligatory audit and evaluation, we confirm that

1. the factual information in the report is correct,
2. in the legal transactions listed in the report, the Company‘s performance was not inappropriately high or disadvantages were compensated.“

The Audit Committee and the group Supervisory Board noted the Management Board‘s Dependent Company Report – which was submitted in a timely manner – and the findings of the audit of this report by the Auditor, examined both reports and discussed both findings with the Management Board and the Auditor. The Supervisory Board assented to the findings of the audit of the Dependent Company Report by the Auditor. In accordance with the final result of the discussions and the Supervisory Board‘s own examination of the Dependent Company Report, the Supervisory Board is of the opinion that the findings of the Management Board are correct and that therefore no objections to the final declaration of the Management Board are to be raised.

Constantin Medien Group can look back on a year in which once again important courses have been set which will lead to a successful long-term future. In February, Constantin Medien Group‘s former subsidiary, Highlight Communications AG, became its majority stockholder in the context of a public takeover offer. When the corporate bond 2013/2018 was repaid with interest in April, the Company became completely debt-free; from an accounting viewpoint, the group is also debt-free. In addition, Constantin Medien Group has successfully improved its operating result, moving from EUR -6.6 million (not taking into account the contributions of the Highlight Communications AG companies and the non-recurring non-cash profit of EUR 38.3 from deconsolidation in the previous financial year) to EUR -2.8 million and streamlined its holding structure; the holding expenses were reduced by nearly one-half in the reporting year. This trend of steady improvement, begun in 2018, will continue into the future. The Supervisory Board is convinced that the Management Board's enthusiasm and entrepreneurial vision in focusing on sports and sports-related content will create an equity story that will impress the capital market. It thanks the Management Board and all employees for their commitment, their great work and their passion for our customers, products and services in a media environment wracked by change.

Ismaning, March 15, 2019
Supervisory Board of Constantin Medien AG

Dr Paul Graf
Chairman

Supervisory Board in the reporting period

Dr Paul Graf
Chairman of the Supervisory Board

Thomas von Petersdorff-Campen
Deputy Chairman of the Supervisory Board

Edda Kraft
Andreas Benz
Dr Gero von Pelchrzim
Markus Prazeller

Personnel composition of the Supervisory Board Committees

	Nomination and Legal Committee	Audit Committee	Takeover Committee	Special Investigative Committee	Group Financing Committee I	Group Financing Committee II
Dr Paul Graf	Chairman	Member		Member		
Thomas von Petersdorff-Campen	Deputy Chairman	Chairman*	Chairman	Deputy Chairman	Chairman	Chairman
Edda Kraft			Deputy Chairman		Deputy Chairman	Deputy Chairman
Andreas Benz		Deputy Chairman				
Dr Gero von Pelchrzim			Member	Chairman	Member	Member
Markus Prazeller	Member					

* Supervisory Board Member who not only is independent but also has accounting and controlling expertise within the meaning of sec. 107 para. 4 and sec. 100 para. 5 Corporation Act.

DECLARATION OF CORPORATE GOVERNANCE PURSUANT TO SEC. 289f AND SEC. 315d OF THE GERMAN COMMERCIAL CODE (HGB)

Declaration of compliance with the German Corporate Governance Code

In March 2019, the Management Board and the Supervisory Board of Constantin Medien AG submitted the annual declaration of compliance with the German Corporate Governance Code (GCGC) required by law in accordance with section 161 of the German Stock Corporations Act. The Management Board and the Supervisory Board of Constantin Medien AG state therein that Constantin Medien AG has complied and continues to comply with the recommendations of the GCGC in the version last amended on February 7, 2017 published by the German Federal Ministry of Justice and Consumer Protection in the official part of the German Federal Gazette since the last declaration of compliance was submitted in March 2018 with the following exceptions:

Section 3.8(3) of the GCGC recommends that a D&O policy be taken out for the Members of the Supervisory Board shall include a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual remuneration of the Supervisory Board Member. There have been and are deviations from this. In the opinion of the Management Board and the Supervisory Board, the existence of a deductible has no effect on the proper performance of the duties and functions incumbent on the Supervisory Board Members.

Section 4.2.3(2), sentences 3 and 4, as well as sentences 7 and 8 of the GCGC recommend that variable remuneration components should generally have a multiple-year assessment basis that should have essentially forward-looking characteristics. Both positive and negative developments should be taken into account when determining variable remuneration components. The variable remuneration components should be based on demanding and relevant comparison parameters. Subsequent amendments to the performance targets or comparison parameters should be excluded for the remuneration of the Management Board. The previously applicable remuneration system, which generally complied with the aforementioned requirements of the GCGC, has not been applied since the changes to the composition of the Management Board that occurred in August and September 2017, and deviating remuneration regulations have been agreed. A deviation is therefore declared for the aforementioned recommendations of the GCGC, irrespective of the continued focus on sustainable corporate development. The variable remuneration is determined by the Supervisory Board primarily on the basis of the earnings generated by the Company and the operating performance of the Members of the Management Board on an annual basis. In the opinion of the Supervisory Board, this procedure remains appropriate and necessary in light of the upcoming tasks of the Management Board and in the best interest of the Corporation in order to ensure the stability of corporate governance by means of an adequate replacement of Members of the Management Board at short notice. The selected remuneration structure enables the Supervisory Board to accomplish such things as to always set the Management Board demanding targets for sustainable corporate development. However, both positive and negative developments are taken into account in the actual calculation of remuneration.

Section 4.2.3(4), sentences 1 and 3 of the GCGC recommends that it be ensured that payments to a Member of the Management Board due to early termination of that Member's contract do not exceed twice the annual remuneration and that these are calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, should take into account the expected total remuneration for the current financial year. A deviation is made here in respect of the possible severance payment to one of the two Members of the Management Board. Here, a maximum severance period of two years and six months is possible, and the calculation of the payment is based on the remaining contractual term. In the view of the Supervisory Board, this remuneration arrangement was appropriate and adequate to ensure that a qualified new Member of the Management Board could be appointed.

Section 4.2.5(3) and (4) of the GCGC recommends that the remuneration report should, for example, present the benefits granted to and received by each Member of the Management Board for the reporting period. The model tables provided as appendices to the GCGC are to be used to present this information. Deviations were made from the recommendations under Section 4.2.5 paragraph 3 (1st bullet point) and paragraph 4 of the GCGC. Constantin Medien AG will also continue to present the remuneration of the Members of the Management Board in a transparent manner, but considers the previous presentation in the remuneration report preferable to that required by Section 4.2.5(3) and (4) of the GCGC. The presentation chosen in the remuneration report ensures the comprehensive disclosure of the benefits actually received by the Member of the Management Board, as well as, for example,

any provisions made for any variable compensation.
Section 5.1.2(2), third sentence of the GCGC recommends that an age limit is specified for Members of the Management Board. A deviation has been and continues to be made from this recommendation because, in view of the ages of the Members of the Management Board of Constantin Medien AG, specifying an age limit does not currently appear necessary. In addition, a fixed age limit is a very rigid instrument which unnecessarily restricts the Supervisory Board in the selection and new or re-appointment of Members of the Management Board.

Section 5.4.1(2), second sentence of the GCGC recommends that the Supervisory Board specifies a regular limit to Supervisory Board Members' terms of office. A time limit for Supervisory Board Membership has been waived. The Supervisory Board is of the opinion that a longer Membership of individual Supervisory Board Members can in individual cases be in the interest of the Company, which is not taken into account with a fixed regular time limit.

Section 7.1.2 second half of third sentence of the GCGC recommends that the mandatory financial information to be provided in the course of the year shall be made accessible to the public within 45 days of the end of the reporting period. A partial deviation has been made from this recommendation. The decentralized corporate structure of the Constantin Medien Group does not currently ensure that this deadline is met in each quarter. In principle, Constantin Medien AG complies with the statutory publication deadlines regarding publication of financial information and the deadlines stipulated in the rules of the Frankfurt Stock Exchange. The current version of the declaration of compliance with the DGDG pursuant to Sec. 161 Corporations Act, along with previous versions, can be viewed at www.constantin-medien.de.

Information on corporate governance practices

Principles

The Management Board and the Supervisory Board work together in good faith for the benefit of Constantin Medien AG and are committed to the principle of sustainably increasing the Company's value. Constantin Medien AG is committed to consistently living up to the trust its stockholders, customers and employees place in it and to fulfilling its responsibility to society. The actions taken by the Management and Supervisory Boards of Constantin Medien AG are guided by the principles of responsible and good corporate governance. Integrity, credibility, respectability and reliability toward employees, business associates and customers, stockholders, investors and the public are elementary principles of conduct. The Constantin Medien Group stands for regular, transparent and timely communication. In its annual and semiannual reports and quarterly notices, Constantin Medien AG regularly issues information concerning its financial situation and performance. Information is also published, in particular by means of press releases and insider information pursuant to Art. 17 of the EU Market Abuse Regulation. All of the abovementioned reports and notices, along with more information on Constantin Medien AG can be found at www.constantin-medien.de.

Working procedures of the Management Board

As the Group's controlling company in the form of a German stock corporation, Constantin Medien AG has a dual management and control system (two-tier system), which means that no Members of the Management Board are also Members of the Supervisory Board. The Management Board of Constantin Medien AG has two Members. The Management Board conducts the business of Constantin Medien AG at its own responsibility and represents the Company in matters concerning third parties. The main tasks of the Management Board include setting the corporate strategy, managing the Group and setting up and monitoring the risk management system. The Management Board works in close cooperation with the Supervisory Board. It informs the Supervisory Board regularly, quickly and comprehensively regarding all issues related to Constantin Medien AG's planning, business development, risk situation and risk management. At regular intervals, the Management Board consults with the Supervisory Board on the Company's corporate strategy and discusses how to implement this strategy. Documentation required to make decisions, especially the annual financial statements of Constantin Medien AG, the consolidated annual financial statements and the auditor's report are sent to the Members of the Supervisory Board before each meeting. The rules of procedure for the Management Board stipulate that transactions of fundamental and special financial significance are subject to the consent of the Supervisory Board.

Members of the Management Board and terms of office in their contracts

The Members of the Management Board are Olaf G. Schröder (CEO) and Dr Matthias Kirschenhofer (Board Member). On February 16, 2018, Olaf G. Schröder‘s contract was extended by three years to December 31, 2021. On February 16, 2017, his previous contract had been extended to December 31, 2018. The term of Dr Matthias Kirschenhofer‘s contract expires on December 31, 2019 and is automatically renewed for two years if not terminated.

The management report found on p. 61 contains more detailed information on the Management Board Members‘ remuneration.

Working procedures of the Supervisory Board

The Supervisory Board of Constantin Medien AG consists of six Members. The Supervisory Board advises and monitors the Management Board in its management of the Company. It is also responsible for appointing the Members of the Management Board. In order to increase its efficiency and better deal with complex issues, the Supervisory Board has stipulated in its rules of procedure that two standing committees comprised of some of its Members be formed with the responsibility of preparing its resolutions and in some cases adopting resolutions on its behalf. These two committees are the Nomination and Legal Committee and the Audit Committee. Other ad hoc committees have been formed (some as early as 2017) for special purposes, which in some cases were achieved very quickly. These include the steering committee „Left Turn“, the „Special committee to support a special representative appointed at the 2017 General Meeting and to investigate any special breaches of duty by former Board Members“ (hereinafter „Special Investigative Committee“) the Takeover Committee and the two committees formed in connection with Group financing, Group Financing Committees I and II. These ad hoc committees for special purposes were dissolved in 2018 and 2019.

The Nomination and Legal Committee‘s primary responsibility is to draw up and negotiate contracts with Management Board Members; it also nominates suitable candidates for Membership in the Supervisory Board, who must then be elected by the General Meeting. It also advises and monitors the Management Board, in particular regarding compliance with applicable law.

The Audit Committee supports the Supervisory Board in fulfilling its monitoring obligation, especially in the areas of accounting, internal controlling systems, risk management system, choice and monitoring of the auditor. It also prepares the audit of the annual financial statements and consolidated financial statements for the Supervisory Board. According to the GCGC, the Chairman of the Audit Committee is to have special knowledge and experience in applying accounting principles and in internal controlling processes, be independent and not be a former Member of the Management Board whose time in that office ended less than two years previously. The Chairman of the Audit Committee, attorney Thomas von Petersdorff-Campen, fulfills these criteria. Every year, the Supervisory Board explains its work and its committees in its report to the stockholders in the annual report of Constantin Medien AG.

More information on the composition and changes in Membership of the Supervisory Board and the committees‘ tasks is summarized on pp. 16 et seqq. of the 2018 annual report.

Composition of the Supervisory Board and terms of office

On August 23, 2017, the Annual General Meeting of Constantin Medien AG replaced all Members of the Supervisory Board. The new Members who were elected are: Dr Paul Graf (Chairman), Thomas von Petersdorff-Campen (Deputy Chairman), Edda Kraft, Andreas Benz, Dr Gero von Pelchrzim and Markus Prazeller. The term of office of each new Member ends at the end of the General Meeting that resolves to approve the actions taken by the Supervisory Board in the fourth financial year after the beginning of their term of office. The financial year in which the term of office begins is not included in this calculation.

Detailed information on the remuneration of the Supervisory Board Members can be found in the Management Report on p. 63.

Requirements placed on Members of the Company's Supervisory Board

The Supervisory Board of Constantin Medien AG aims to apply the following criteria to any new Members:

1. Competence
The most important requirements for a Member of the Supervisory Board are relevant qualifications and personal competence. When nominating its Members, the Supervisory Board will always place the highest priority on these requirements, which are indispensable to the fulfillment of its statutory obligations. At least one Member of the Supervisory Board must be independent as defined in Sec. 100(5) of the German Corporations Act and qualified in accounting or auditing.

2. Diversity
The Supervisory Board as a whole pursues the goal of leveraging the diversity of skills, experience, personalities and nationalities of its Members to best fulfill its monitoring and advising duties. This diversity includes international expertise, varying areas of life and career experience and a high enough percentage of women. In preparing each of its election nominations, the Supervisory Board is to give due consideration to the extent to which varying and complementary qualifications and professional and life experience, along with appropriate representation of both genders, can enhance the work of the Supervisory Board.

3. Industry knowledge
At least two Members of the Supervisory Board are to have strong knowledge and experience in the business areas that are important to the Company, especially the media industry.

4. Management experience
At least two Members of the Supervisory Board are to have experience in managing or supervising a medium-sized or large company (pursuant to the version of Sec. 267 German Commercial Code in effect at the time) regardless of that company's legal form.

5. Internationality
At least one Member of the Supervisory Board is to have international expertise based on professional experience in the Company's area of business operations.

6. Women in the Supervisory Board
When vetting candidates to be nominated for election, the Supervisory Board will examine whether there are suitable female candidates. The Supervisory Board is to have at least one female member.

7. No material conflicts of interest
No Member of the Supervisory Board is to be a person who could possibly be expected to have a conflict of interest that is of more than a temporary nature. For this reason, no one is to be nominated for election to the Supervisory Board who simultaneously has a board position or advisory role at one of the Company's main competitors or could potentially have a conflict of interest, for example, due to advisory work for a significant contractual counterparty of the Company. The Supervisory Board is also not to have more than two former Members of the Company's Management Board as Members. The Supervisory Board complies with the requirements of the German Corporate Governance Code on conflicts of interest.

8. Age limit
Only candidates under the age of 70 are generally to be nominated as Members of the Supervisory Board.

9. Number of independent members
At least one-half of the Members of the Supervisory Board are to be independent.

The Supervisory Board currently meets all of the abovementioned goals. It also reviews all of these goals regularly.

Commitment to promoting equal representation of women and men in management positions

Constantin Medien AG is a holding company, and it employed an average of 18 people in 2018. The percentage of women is as follows: in the Supervisory Board, around 17 percent, Management Board, 0 percent, first level of management below the Management Board, 0 percent; there is no second level of management below the Management Board.

When appointing employees to management positions in the Company, the Management Board takes diversity into consideration, working toward the goal of an appropriate proportion of women. The Supervisory Board is also of the opinion that increasing the proportion of women in leadership positions makes it more likely that a larger number of suitable female candidates will be available for Management Board positions at Constantin Medien AG. Target proportions have been set for Constantin Medien AG in compliance with the German Act on the Equal Participation of Women and Men in Leading Positions in Private Business and Public Service.

It was recently established that the proportion of women in the Supervisory and Management Boards is to be maintained. As regards the only management level below the Management Board, it was established that a quota of 25 percent women is to be achieved. This is currently not the case because the one female of the four managers originally in the management level below the Management Board has left the Company, and her empty position has not been filled.

Diversity

Diversity is a key component of the corporate culture at Constantin Medien AG. No company-wide formal diversity policy has as yet been implemented. The Management and Supervisory Boards are of the opinion that diversity can be promoted and achieved even without a formal diversity policy.

Stockholders and General Meeting

The stockholders of Constantin Medien AG can protect their rights and exercise their voting rights in the General Meeting. At the General Meeting, every stockholder is entitled to participate, state an opinion on each agenda item, pose questions and make motions. Constantin Medien AG facilitates its stockholders in personally protecting their rights by appointing a voting proxy who is bound by the stockholders‘ instructions.

Accounting and auditing

Constantin Medien AG draws up its consolidated annual financial statements, its semiannual report and its quarterly statements in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The annual financial statements of Constantin Medien AG are drawn up in compliance with the German Commercial Code. The Management Board is responsible for drawing up the consolidated annual financial statements and the annual financial statements as well as the supplementary combined management and Group management report. The combined management and Group management report is drawn up in compliance with Sec. 315 German Commercial Code. It follows the stipulations and recommendations of German Accounting Standard No. 20 (DRS 20) of the Accounting Standards Committee of Germany. Once the consolidated and separate annual financial statements as well as the combined management and Group management report have been drawn up, they are audited by the auditor appointed by the General Meeting and approved and adopted by the Supervisory Board. An agreement has been reached with the auditor that it will inform the Chairmen of the Supervisory Board and the Audit Committee without delay of any grounds for exclusion or any conflicts of interest as well as any significant findings and incidents during the audit.

Controlling indicators and controlling system, compliance management system

The Management Board is responsible for the Group's strategic direction and controlling. Each subsidiary's Management Board is responsible for implementing the Group's strategic direction in that subsidiary. The determinative controlling indicators are divided into financial performance indicators (especially sales and earnings ratios) and non-financial performance indicators (on the basis of the relevant business model). Detailed information on the controlling system and performance indicators can be found in the combined management report and Group management report in Section 1.2, Controlling system and performance indicators (pp. 37 et seqq.). The internal controlling 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 and contributes to compliance with applicable law.

A detailed description of the elements of the Group's internal controlling system, which also includes the Group's risk management system, can be found in the combined management report and Group management report in Section 7.2.1, risk management system (pp. 66 et seqq.).

The Management Board has also instituted a compliance management system with internal structures and processes, responsibility rules and monitoring mechanisms in order to prevent violations of applicable law and thus protect the integrity of Constantin Medien AG as well as its subsidiaries. The importance of compliance has been clearly communicated. The Management Board has undertaken measures including designating an employee to whom information regarding possible compliance breaches or suggestions to improve the compliance management system can be given in a confidential and protected manner. Possible risks and suitable measures are identified at regular intervals in cooperation with the various divisions and departments. The compliance management system is closely connected to the risk management system.


PREMIUMSHOP 24
TEAM SAUERLAND
POWERLOOK
BENLEE
GBU
FitLine


THE LION
Universal Paints
I.B.F.
MESCHER
PREMIUMSHOP24

CONSTANTIN MEDIEN AG SHARE

Performance of the capital markets

In 2018, the German stock market and the most important international capital markets were unable to further expand the price gains of previous years. In January 2018, many global stock market indices reached new highs. As the year progressed, however, global stock prices lost all their profits and established a stable downward trend until the end of the year. Only the US stock markets were able to escape this sharp downward trend somewhat and closed the year with moderate single-digit percentage losses. As in previous years, most of the capital markets in 2018 were also strongly influenced by the monetary policy of the European Central Bank (ECB) and the US Federal Reserve (FED). A high money supply provided by the central banks also provided the markets with enough liquidity in the stock market year 2018. Due to the good economic data in the USA – where employment was practically full in 2018 – the FED was able to raise its key interest rates in four steps in March, June, September and December 2018 by 25 basis points to a range of 2.25 to 2.50 percent. At the same time, the FED's 2018 balance sheet decreased by around USD 400 billion to around USD 4.1 trillion. The reduction in the balance sheet mainly resulted from the fact that the FED no longer reinvested all its cash inflows from maturing securities. With this approach, the central bank's balance sheet should continue to decrease in the future. In the same period, the ECB was unable to raise its key interest rates in 2018 due to the low core inflation rate in the Euro zone, weak economic expectations, a continuing high unemployment rate in Europe and the still highly indebted countries in the south of the monetary union. At the same time, the ECB extended its bond purchase program from January 2018 to the end of September 2018, but with a volume of EUR 30 billion per month halved. In the period from October 2018 to December 2018, the ECB once again reduced its bond purchase program to EUR 15 billion per month until the program finally expired in December 2018. At the end of December 2018, the ECB's balance sheet stood at around EUR 4.7 trillion. From 2019, the ECB intends to reinvest all the funds it receives from maturing securities, which, conversely, means that the central bank balance sheet of the ECB should not fall significantly in the foreseeable future. A major risk factor for the markets in 2018 was the exit of the major central banks FED and ECB from the crisis mode and its speed. In the second half of the year, an additional mix of risks unsettled investors. In addition to fears of a cooling global economy, political turbulence and risk factors such as a disorderly Brexit, the planned new debt in the Italian budget for 2019 and the associated consequences for the stability of the monetary union and the ongoing trade conflict between the USA and China also unsettled the markets.

The DAX started trading at around 12,900 points at the beginning of 2018. After reaching its all-time high of 13,597 points on January 23, 2018, the share price fell to around 11,800 points by the end of March. Subsequently it rose again to around 13,200 points by mid-May but lost up to 2,600 points again in the further course of the year by the end of December. With a closing price of 10,559 points, it lost 18.3 percent over the year.

The small-cap index SDAX closed at 9,509 points at the end of December 2018 and thus lost 20.0 percent in value over the course of the year. Over the same period, the index for German media stocks (DAXsector Media) lost around 22.3 percent of its value, closing at 308 points.

Constantin Medien share performance

The Constantin Medien AG share price performance was characterized by a downward trend overall in the 2018 financial year – to a large extent analogous to the overall market. At the beginning of the year, the Constantin Medien AG share price stood at around EUR 2.30 which also corresponded to the takeover offer of Highlight Communications AG together with Studhalter Investment AG of November 27, 2017. This offer gave Constantin Medien shareholders the opportunity to tender their shares to Highlight Communications AG and Studhalter Investment AG at a price of EUR 2.30 per share. At the beginning of February, at the end of the second acceptance period, the share price fell below the chart support level of EUR 2.20 and fluctuated between EUR 2.20 and EUR 2.05 in the following six months. Subsequently, the share price repeatedly tested the important chart technical support mark of EUR 2.0, which was finally breached in mid-November 2018. As a result, the share price reached its low for the year on December 20, 2018 at EUR 1.79 (based on closing prices). As the year progressed, the Constantin Medien AG share price stabilized and closed at EUR 1.90 at the end of the year.

Thus, the Constantin Medien AG share performed above the benchmark index for German media stocks DAXsector Media (-22.3 percent) and the SDAX (-20.0 percent) over the year with a discount of 17.3 percent. As of December 31, 2018, the intraday 52-week high was EUR 2.32 (January 25, 2018) and the intraday 52-week low EUR 1.75 (December 19, 2018). At the beginning of 2019, the Constantin Medien AG share again fell below EUR 1.90. The share price closed at EUR 1.94 on February 28, 2019.

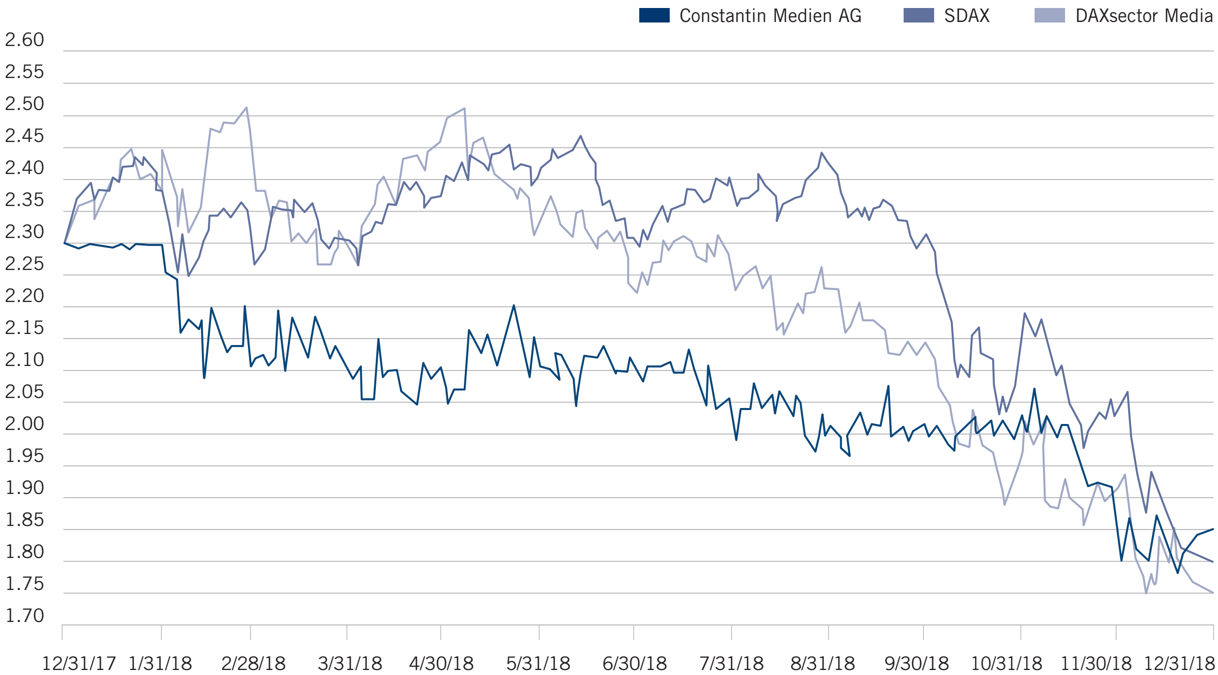
In 2018, 7.0 million Constantin Medien AG shares (2017: 42.0 million) were traded on German stock exchanges. Average sales per trading day decreased to 27,884 shares after 166,755 shares in the previous year. In the German stock exchange ranking, the Constantin Medien AG share ranked 258 (previous year: 119) among all MDAX and SDAX stocks as of December 31, 2018 in terms of trading volume in the last twelve months and 260 (previous year: 125) in terms of free float market capitalization. The main change in the index ranking of German stock exchange resulted on the one hand from the new regulations of German stock exchange for the composition and size of the selection indices MDAX, SDAX and TecDAX which came into force on September 24, 2018 and on the other hand from the lower trading volume due to the smaller free float of Constantin Medien AG shares following the successful takeover offer of Highlight Communications AG and Studhalter Investment AG.

The Constantin Medien AG share is actively monitored by renowned research houses. In 2018, the following institutes published studies on Constantin Medien AG including price targets:

– DZ Bank
– Matelan Research

The average target price as of December 31, 2018 was according to the studies at EUR 2.15 (December 31, 2017: EUR 2.30).

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



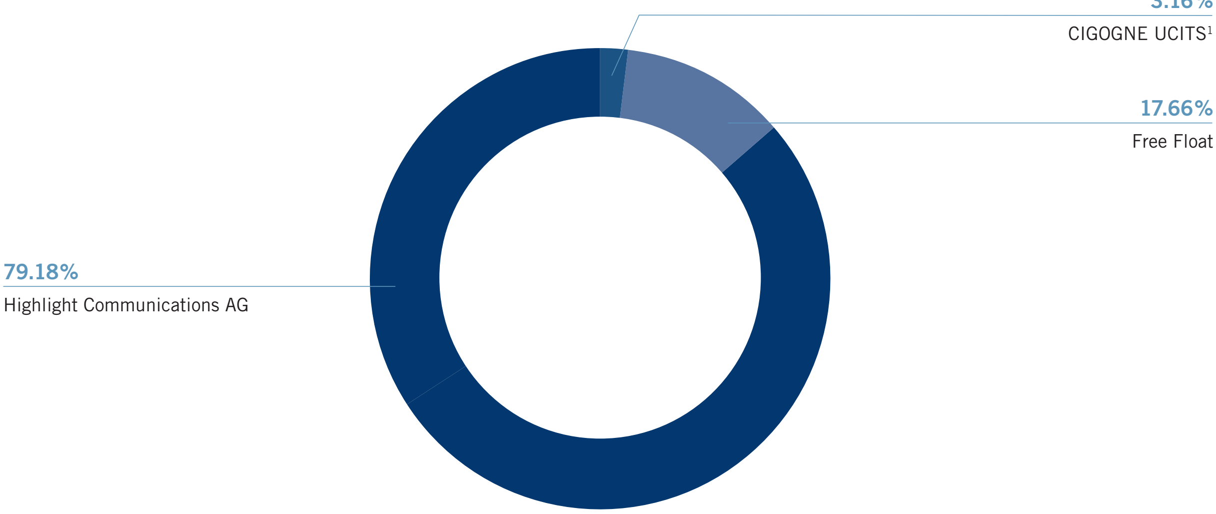
Share capital and shareholder structure of Constantin Medien AG

The share capital of Constantin Medien AG did not show any changes in the 2018 financial year and amounted to EUR 93.6 million as of December 31, 2018. Constantin Medien AG held 162 non-voting treasury shares as of December 31, 2018.

Following the successful takeover offer, Highlight Communications AG held 45,291,532 Constantin Medien AG shares (corresponding to 48.39 percent of the share capital) in February 2018. In March 2018, Highlight Communications AG purchased a further 28,074,308 shares of Constantin Medien AG (corresponding to 29.99 percent of the share capital) from Highlight Event and Entertainment AG and held a total of 73,365,840 shares (corresponding to 78.38 percent of the share capital) at the end of March 2018. Highlight Communications AG increased its shareholding in Constantin Medien AG to 74,112,840 shares (corresponding to 79.18 percent of the share capital) in the further course of the year.

Shareholder structure as of December 31, 2018

Share capital: 93.6 million shares



[1] These voting rights are attributed to the asset manager Cigogne Management S.A. in accordance with §§ 33,34 WpHG.

Major voting rights notifications

On December 12, 2017, Cigogne Management S.A. has informed Constantin Medien AG pursuant to §§ 21 and 22 WpHG that their voting rights share in Constantin Medien AG exceeded the threshold of 3 percent of voting rights on December 6, 2017, and on this day amounted to 3.16 percent (corresponding to 2,960,000 voting rights). On this day, Cigogne Management S.A. held directly pursuant to § 21 WpHG 0 voting rights (corresponding to 0.00 percent of the share capital) and indirectly pursuant to § 22 WpHG 2,960,000 voting rights (corresponding to 3.16 percent of the share capital).

On December 12, 2017, Cigogne UCITS has informed Constantin Medien AG pursuant to §§ 21 and 22 WpHG that their voting rights share in Constantin Medien AG exceeded the threshold of 3 percent of voting rights on December 6, 2017, and on this day amounted to 3.16 percent (corresponding to 2,960,000 voting rights). On this day, Cigogne UCITS held directly pursuant to § 21 WpHG 2,960,000 voting rights (corresponding to 3.16 percent of the share capital) and indirectly pursuant to § 22 WpHG 0 voting rights (corresponding to 0.00 percent of the share capital).

On December 18, 2017, Highlight Communications AG and Studhalter Investment AG offered to all Constantin Medien AG shareholders to buy their shares for a cash consideration of EUR 2.30 per Constantin Medien share as part of a voluntary public takeover bid. Following the end of the second acceptance period on February 5, 2018, the following voting rights notifications were received by Constantin Medien AG:

On February 19, 2018, Highlight Event and Entertainment AG has informed Constantin Medien AG pursuant to §§ 33 and 34 WpHG that their voting rights share in Constantin Medien AG exceeded the thresholds of 30, 50 and 75 percent of voting rights on February 13, 2018, and on this day amounted to 78.38 percent (corresponding to 73,365,840 voting rights). On this day, Highlight Event and Entertainment AG held directly pursuant to § 33 WpHG 28,074,308 voting rights (corresponding to 29.99 percent of the share capital) and indirectly pursuant to § 34 WpHG 45,291,532 voting rights over Highlight Communications AG (corresponding to 48.39 percent of the share capital).

On February 19, 2018, Mr Bernhard Burgener has informed Constantin Medien AG pursuant to §§ 33 and 34 WpHG that his voting rights share in Constantin Medien AG exceeded the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 and 75 percent of voting rights on February 13, 2018, and on this day amounted to 78.38 percent (corresponding to 73,365,840 voting rights). On this day, Mr Bernhard Burgener held directly pursuant to § 33 WpHG 0 voting rights (corresponding to 0.00 percent of the share capital) and indirectly pursuant to § 34 WpHG 73,365,840 voting rights over Highlight Event and Entertainment AG (29.99 percent) and Highlight Communications AG (48.39 percent).

On February 19, 2018, Ms Rosmarie Burgener has informed Constantin Medien AG pursuant to §§ 33 and 34 WpHG that her voting rights share in Constantin Medien AG exceeded the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 and 75 percent of voting rights on February 13, 2018, and on this day amounted to 78.38 percent (corresponding to 73,365,840 voting rights). On this day, Ms Rosmarie Burgener held directly pursuant to § 33 WpHG 0 voting rights (corresponding to 0.00 percent of the share capital) and indirectly pursuant to § 34 WpHG 73,365,840 voting rights over Highlight Event and Entertainment AG (29.99 percent) and Highlight Communications AG (48.39 percent).

On February 19, 2018, the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte has informed Constantin Medien AG pursuant to §§ 33 and 34 WpHG that their voting rights share in Constantin Medien AG had fallen below the threshold of 5 percent of voting rights on February 13, 2018, and on this day amounted to 2.43 percent (corresponding to 2,277,010 voting rights). On this day, the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte held directly pursuant to § 33 WpHG 2,277,010 voting rights (corresponding to 2.43 percent of the share capital) and indirectly pursuant to § 34 WpHG 0 voting rights (corresponding to 0.00 percent of the share capital).

On February 19, 2018, Axxion S.A. has informed Constantin Medien AG pursuant to §§ 33 and 34 WpHG that his voting rights share in Constantin Medien AG had fallen below the thresholds of 3 and 5 percent of voting rights on February 13, 2018, and on this day amounted to 0.00 percent (corresponding to 0 voting rights). On this day, Axxion S.A. held directly pursuant to § 33 WpHG 0 voting rights (corresponding to 0.00 percent of the share capital) and indirectly pursuant to § 34 WpHG 0 voting rights (corresponding to 0.00 percent of the share capital).

Investor relations activities of Constantin Medien AG

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 2018 – including, amongst others, the Münchner Kapitalmarkt Konferenz (Munich Capital Market Conference) in Munich, on December 11, 2018.

In addition to direct communication, our website www.constantinmedien.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.

Corporate bond 2013/2018 of Constantin Medien AG

The price of the 2013/2018 corporate bond with issue and value date April 23, 2013, a nominal amount of EUR 65 million, a coupon of 7.0 percent p.a. and a term of five years, closed at 100.50 percent on December 31, 2017 and was repaid at 100.00 percent plus interest to the creditors of the corporate bond on April 23, 2018.

Directors' dealings/shareholdings of Board Members as of December 31, 2018

In the 2018 financial year, there are no reportable purchase and sales transactions from Members of the Management Board and the Supervisory Board.

Information on Constantin Medien securities as of December 31, 2018

ISIN/WKN	
– Ordinary share (Prime Standard Segment)	DE0009147207 / 914720 529900TIPSAT1XXD6I58
Indices	DAXsector Media
Closing rate 12/31/2018/52-week high/52-week low	
– Constantin Medien AG (Xetra)	EUR 1.90 / 2.32 / 1.75
Share capital	93.6 million shares
Shares outstanding	93.6 million shares
Market capitalization (related to shares outstanding as of 12/31/2018)	
– Constantin Medien AG	EUR 177.8 million

Shareholdings of executive bodies of Constantin Medien AG as of December 31, 2018

Board	Name	Number of shares
Management Board		
	Olaf G. Schröder	0
	Dr Matthias Kirschenhofer	0
Supervisory Board		
	Dr Paul Graf	10
	Thomas von Petersdorff-Campen	0
	Edda Kraft	0
	Andreas Benz	0
	Dr Gero von Pelchrzim	0
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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. Its business operations include the Sports division with the major subsidiaries Sport1 GmbH, Sport1 Media GmbH, Magic Sports Media GmbH, Match IQ GmbH, PLAZAMEDIA GmbH and LEiTMOTiF Creators GmbH. Through its wholly-owned subsidiary Constantin Sport Holding GmbH, Constantin Medien AG holds 100 percent of the shares in these companies, respectively, and 50.1 percent in Match IQ GmbH.

On November 27, 2017, Highlight Communications AG and Studhalter Investment AG submitted a public takeover bid to the shareholders of Constantin Medien AG. The takeover bid was concluded successfully on February 5, 2018, and finally completed on February 13, 2018, by tendering 48.39 percent of the issued Constantin Medien AG shares to Highlight Communications AG and Studhalter Investment AG. Taken together with 29.99 percent of the issued shares in Constantin Medien AG from the investment of Highlight Event and Entertainment AG, the Highlight group held a total of 78.38 percent in Constantin Medien AG. By December 31, 2018, the share was further increased to 79.18 percent.

Constantin Medien AG has been included in the consolidated financial statements of the direct parent company Highlight Communications AG, Pratteln/Switzerland, and the ultimate parent company Highlight Event and Entertainment AG, Pratteln/Switzerland, since March 31, 2018. Until June 12, 2017, its portfolio also encompassed the Segments Film and Sports- and Event-Marketing, through the majority holding in Highlight Communications AG, Pratteln/Switzerland.

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

In the **Sports division**, Constantin Medien AG covers the complete value chain with its various subsidiary companies. These comprise SPORT1, the leading 360° sports platform in the German-speaking countries with its TV, Online, Mobile, Audio and Social Media channels; SPORT1 MEDIA, an innovative multi-platform marketer; MAGIC SPORTS MEDIA, a marketing company specializing in betting, poker, casino, lottery and related gaming offers; the agency Match IQ, event and consulting partner to sports associations and clubs on internationalization, matchday execution and the organization of friendly games, tournaments, training camps and international tours; PLAZAMEDIA, a leading content solution provider for all media channels; and LEiTMOTiF, a consulting unit and provider of integrated communication solutions for companies and brands. Thanks to this broad setup in the sports sector, the Constantin Medien Group offers unique opportunities in the German-speaking region to partners and customers.

In the Sports division, 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, marketing and consulting area, these include long-term production framework contracts, agreements with partners and customers as well as corresponding sales agreements in the new digital business fields.

The main expense items comprise the costs of licensing rights, the costs of production and manufacturing, distribution costs, personnel expenses and occupancy costs. In the production sector, these particularly include the costs of production services, amortizations on investments in technical innovations and extensions, maintenance and service as well as the costs of signal routing and personnel.

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 strategy and control of the Group.

The Group companies are responsible for implementing the Group strategy. The control of the companies 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.

1.2.2 Financial performance indicators

In the 2018 financial year, revenues and earnings attributable to shareholders were the key performance indicators within the Group. In addition, the non-relevant key indicators, earnings before interest and taxes (EBIT), profit from operations before depreciation/amortization (EBITDA), operating cash flow and net liquidity/debt (cash and cash equivalents less financial liabilities) are regularly determined for controlling and managing. The Constantin Medien AG is managed with regard to the annual net result.

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 viewer appeal, to acquire interesting license rights, to develop innovative formats and to ensure programming that accurately reflects viewer preferences. In the free-TV area, these indicators include the daily coverage and market shares that are surveyed by the Video Research Working Group (AGF Videoforschung; formerly Arbeitsgemeinschaft Fernsehforschung, AGF) and the Society for Consumer Research (GfK). In terms of SPORT1, this is in particular the market share in its core target group of males aged 14 to 59 years (M14-59). In the pay-TV area, key non-financial indicator is the number of subscribers.

For the online and mobile area, 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) as well as the unique users form the basis. In the video area, video views of the SPORT1 platforms without YouTube (video views including livestream) are reported using DoubleClick. Video views of the SPORT1 YouTube channels are reported by the YouTube Content Management System.

Distribution – Regarding the free-TV channel SPORT1's appeal as a platform for advertisers, the technical coverage is of great importance. In pay-TV, a distribution as comprehensive as possible of the two channels SPORT1+ as well as SPORT1 US and eSPORTS1, that has been distributed instead of SPORT1 US since January 24, 2019, through the relevant cable network operators and other platform providers is vital. The number of subscribers that have booked both pay-tv channels in the respective packages therefore is a key non-financial performance indicator.

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

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 males aged 14 to 59 years (M14-59). In view of the pay-TV sports channels SPORT1+ as well as SPORT1 US and eSPORTS1, respectively, they are important in order to offer an attractive pay product to cable operators and other platform providers as well as subscribers.

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 as well as digital storage and distribution of content. 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 competence are essential. Correspondingly, recruiting, advancement and retaining well-trained, qualified, dedicated and creative employees are of high priority. In addition, a profound network of contacts as well as close and trusting relationships with business partners are important indicators of the company's success. This applies, among other things, to rights holders and the advertising industry or media-political institutions.

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. The operating activities of the companies are in accordance with a variety of media, data protection and copyright laws as well as with regulatory requirements.

Sports division

Material legal factors affecting the free-TV channel SPORT1, the pay-TV channels SPORT1+, SPORT1 US and eSPORTS1, respectively, as well as the internet TV offer SPORT1 Livestream 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, SPORT1+, SPORT1 US and eSPORTS1, respectively, as well as SPORT1 Livestream fall under the competence of the Bavarian Regulatory Authority for New Media (Bayerische Landeszentrale für neue Medien, BLM). The digital sports radio SPORT1.fm, which has not been available for the time being since June 1, 2018 due to the current rights situation, falls under the competence of the Regulatory Authority for Commercial Broadcasting in Hesse (Hessische Landesanstalt für privaten Rundfunk und neue Medien, LPR Hessen).

The free-TV channel SPORT1, the pay-TV channels SPORT1+, SPORT1 US and its successor eSPORTS1, respectively, as well as the internet TV offer SPORT1 Livestream have broadcasting licenses for an unlimited duration at their disposal.

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 young people cannot use offers, which might affect their development into a 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 minors, 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. The competent supervisory authorities have tolerated the advertising of various sports betting providers until the concession award procedure has been concluded.

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 operates, 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 (see chapter 1.2.3 Non-financial performance indicators and success factors).

In addition to these purely quantitative performance data, qualitative data such as for advertising impact research are also an important basis for assessing, classifying and focusing the production and exploitation and/or marketing activities within the different areas. 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.

2. ECONOMIC REPORT

2.1 Macroeconomic Environment

According to estimates by the International Monetary Fund (IMF), global growth in 2018 remained close to the high levels recorded after the last crisis. According to this, the ongoing steady expansion since the middle of 2016 also continued in 2018. This upturn occurred, however, against the backdrop of a weakening financial market climate, trade uncertainties and concern about prospects for China. At the same time the financial markets in the developed economies seemed to be decoupled from the tensions in international trade for a large part of 2018. These tensions did however, eventually encroach on these markets, which exacerbated the general situation on the financial markets and increased the risks for global growth.

Overall, global growth remained at the level of 2017 with a rate of 3.7 percent. The global economy did indeed expand, but only with a mediocre to disappointing increase in individual economies. Country-specific factors such as the introduction of new emissions standards in Germany or natural catastrophes in Japan had a negative impact, while in other economies such as the USA, Russia and Brazil momentum continued to rally.

The USA, with an increase of 2.9 percent, recorded a relatively high value. Both Russia and Brazil continue to find themselves on the path to recovery after years of negative growth up to 2017, with improvement rates of 1.7 and 1.3 percent respectively. China's upswing was still at a high level, but at only 6.6 percent cooled off slightly. With an improvement of only around 1.8 percent, the eurozone recorded a weakening of economic momentum. The reason for this was lower growth in the large European economies of Germany, France, Italy and Spain.

In Germany, the gross domestic product (GDP) adjusted for prices in 2018 was 1.5 percent higher than the previous year according to the calculations of the Federal Statistics Office (Destatis). Although growth has lost momentum, it was the ninth year in a row in which the German economy recorded an increase. Positive stimuli inside Germany contributed decidedly to this, notably through the increase in private as well as public spending. German exports did continue to rise on an annual average in 2018, but no longer as strongly as in previous years.

Sources: International Monetary Fund (IMF), World Economic Outlook, October 2018 and January 2019; Federal Statistics Office (Destatis), Press release, January 15, 2019.

2.2 Market environment for media and entertainment in Germany

The media and entertainment industry continues to experience a transformation characterized by increasing digitalization and mobility of consumers. Access to the media world is shifting via WiFi or the mobile data network increasingly to Smart TV and mobile devices. Traditional sales and distribution channels now find themselves in immense competition with new digital content and applications. The trend is towards cross-media provision of multimedia content and digital platforms which combine video, audio and text formats.

For 2018 the auditing firm PricewaterhouseCoopers (PwC) anticipates revenue growth in the entire media and entertainment sector in Germany by 2.0 percent to EUR 61.8 billion. That represents a slight flattening of growth compared to 2017 when sales increased by 2.1 percent to EUR 60.6 billion. The trend since 2014, whereby the market volume increased by more than one billion euros per year, however remains unbroken. However, this is a continuous development only at superficial level. Closer examination reveals considerable rejections in the market share distribution in favour of new media formats.

The projected total revenue of the TV and home cinema market in 2018 was at EUR 11.9 billion at the same level as the previous year. By contrast, sales from video on demand (VoD) grew, according to estimates by PwC, by 11.4 percent to EUR 965 million. Television continues to be the most used medium in Germany. In 2018 the TV advertising market recorded a solid growth of an estimated 2.4 percent to EUR 5.2 billion, whereby sales in linear TV advertising (EUR 4.6 billion) was still the bigger segment by far compared to online TV advertising with a volume of EUR 548 million. Second place behind TV is still held by the book trade, which in 2018 increased by 1.2 percent to EUR 9.2 billion. As far as the overall segment of online advertising is concerned, with an increase in 2018 of an estimated 7.3 percent to EUR 7.9 billion it displaced the newspaper market (EUR 7.7 billion, -0.7 percent) from third place into fourth place.

The projected growth of the total market has in the meantime been driven particularly by digital segments such as virtual reality (+52.8 percent compared to the following year), internet video (+11.4 percent), video games (+8.9 percent) and online advertising (+7.3 percent). According to experts from PwC, the eSports segment in 2018 saw an estimated increase in total revenue of 25.2 percent to a total of EUR 64.1 million.

Source: PricewaterhouseCoopers GmbH Auditing Firm, German Entertainment and Media Outlook 2018 – 2022, October 2018.

VAUNET, the Association of Private Media in Germany, expects growth of between 8 and 10 percent for the total pay-TV and paid VoD sales in German-speaking countries for 2018 to around EUR 3.8 billion. The number of pay-TV subscribers in Germany, Austria and Switzerland is predicted to rise from 8.7 million in 2017 to 9.0 million in 2018. In 2018, there were a total of 107 pay-TV channels in German-speaking countries, of which 22 are pay-TV sports channels.

Source: VAUNET – Verband Privater Medien e. V., Study "Pay-TV in Germany 2018", July 2018.

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 Sports division

According to the measurement and data analytics company Nielsen Holdings plc, the German gross advertising market hardly grew in 2018 compared to the previous year with a total of EUR 31,9 billion (+0.03 percent).

The media group mobile again shows significant growth compared to the same period of the previous year with an increase of 58.6 percent and for the first time recorded gross advertising expenditures of EUR 1.0 billion. With the second-highest growth rate compared to previous year, radio follows with +2.0 percent to EUR 1.95 billion. In addition to the largest medium, TV, which with EUR 15.3 billion of advertising expenditures also increased slightly (+0.01 percent) compared with the previous year, only newspapers posted a positive result (+0.5 percent to EUR 4.3 billion). All other media groups featured in the adjusted Nielsen advertising trends such as the desktop (-6.9 percent to EUR 2.7 billion) or magazines (general-interest magazines -3.9 percent to EUR 3.3 billion, professional magazines -52.0 percent to EUR 0.37 billion) have declined regarding their gross advertising expenditures.

Source: Nielsen Holdings plc, press section, "Advertising market stagnates in 2018", January 16, 2019.

The number of pay-TV subscribers in Germany increased by around one percent in 2017 to 7.9 million according to PwC. Contributing to this further increase were the unchanged fierce competition between the telecommunications providers, in particulardriven by the progressing technological development in Germany as well as the extensive switch-off of the analogue cable reception.

Source: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, German Entertainment and Media Outlook 2018 – 2022, October 2018.

Big live sport events still offer an ideal opportunity to employ innovative technologies. Also in 2018, the progressive development and distribution of high definition technologies such as 4K and 8K have taken center stage. Although manufacturers of TV devices are accelerating the distribution of the new standards in the market, end consumers in Germany cannot, generally speaking, exploit the advantages due to the still fairly small amount of UHD content – even if TV and streaming providers are slowly expanding their UHD range.

Sources: www.welt.de, „Die Deutschen glauben an das falsche Fernseher-Versprechen", September 4, 2018; www.infosat.de, „TV-Sender peilen Regelbetrieb in Ultra HD an", March 5, 2018; www.statista.com, „Absatz von Flachbildfernsehgeräten in Deutschland von 2006 bis 2018", 2019; www.statista.com, „Absatz von Ultra-HD Fernsehgeräten in Deutschland von 2015 bis 2017 und Prognose für 2018", 2019.

Alongside high definition technologies (4K, 8K, HDR), this year's International Broadcasting Convention (IBC) in Amsterdam – one of the biggest trade fairs for media and production technology – has been dominated again by the prevailing trends such as 5G, virtual and augmented reality, OTT/OVP or IP-based production solutions. In addition the focus has been directed in particular to the digital transformation of production and distribution workflows by artificial intelligence (AI) and cloud technology.

Quellen: www.film-tv-video.de, „IBC2018: Trendreport", October 25, 2018; corp.kaltura.com/blog, „IBC 2018 – Trends and Highlights", September 18, 2018.

2.3.2 Operating performance in the Sports division

In 2018, the focus of SPORT1 as one of the leading 360° sports platforms in the German-speaking region remained upon the further optimization of the rights portfolio, the improvement of existing and creation of new digital offers and marketing areas respectively, as well as cross-platform content exploitation, integration and capitalization.

Acquisition of further top rights – In the soccer sector, SPORT1 was successful in the DFB's tender process as the first private free-TV broadcaster in Germany to win live and highlight rights to the DFB-Pokal (DFB Cup) from the 2019/2020 season up to and including 2021/2022, plus rights to the International Champions Cup until 2020, the UEFA Youth League until 2020/21, the finals of the UEFA Women's Champions League until 2018/19, the highlight summaries of the German 2nd Bundesliga on Friday and Sunday nights from the beginning of the second half of the 2017/18 season, the highlight clips from all matches in the 2018 FIFA World Cup™ and the UEFA Under-17 EURO 2018. In addition, at the start of the UEFA Champions League 2018/19, "Fantalk" was further expanded with programs on Tuesdays and now also on Wednesdays. With "3. Liga Pur" and "Futeboool! – Das brasilianische Fußball-Magazin", new highlight magazines were launched.

For its motorsports offering SPORT1 acquired rights to FIA WEC, FIA Formula 2, FIA World Rallycross Championship (WRX) as well as the Porsche Carrera Cup, and also broadcast the new "Porsche GT Magazin". With "Die PS PROFIS – Schule", a further format was launched on SPORT1 under the well-known "PS PROFIS" brand. Under the new label "SPORT1 Originals", 2018 also celebrated further program format premieres, including Germany's first boxing casting show "SPORT1: The Next Rocky", the YouTube format "Transfermarkt-Show", the interactive Instagram format "Split It!" and the video format "SPORT1 History".

Thanks to new partnerships, SPORT1 will also carry the easyCredit Basketball Bundesliga (BBL) for the next five seasons until 2022/23, plus semi-finals and finals of the BBL Pokal 2018/19 as well as volleyball with the women's and men's Bundesliga until 2020/2021.

In ice hockey, SPORT1 extended its partnership with Deutscher Eishockey-Bund e.V. (DEB) until 2024 and acquired rights to the NHL Global Series Challenge 2018, and also in darts to the BILD Superleague Darts, in handball to international matches of the German national teams, in hockey to the Indoor Hockey World Cup 2018 and German Championship 2018 and in American football to the German Football League (GFL).

SPORT1 extended its position as one of the leading eSports media in German-speaking countries with, among other things, rights to the EA SPORTS™ FIFA 18 Global Series and the FIFA eWorld Cup, the TAG Heuer Virtual Bundesliga, the ESL Frühlingsmeisterschaft 2018 and the ESL One Dota 2. As the media partner of gamescom 2018, SPORT1 reported on the highlights of the world's largest trade fair for computer and video games as well as on the finals of the ESL Sommermeisterschaft in FIFA 18 and League of Legends. At the end of 2018, SPORT1 announced as a further important milestone the launch of the first eSports broadcaster in German-speaking countries: eSPORTS1 went on-air as a new pay product on January 14, 2019.

New marketing partnerships – In marketing, SPORT1 MEDIA won advertising customers including, among others, for the Winter Olympics Zurich Versicherung and Toyota, for the Ice Hockey World Championships ŠKODA, Betway and Campingaz as well as for 2018 FIFA World Cup™ partners such as CHECK24, LG Electronics, bwin and Tipico. In addition, SPORT1 presented the news format "WM Aktuell" in the context of a location partnership with Telefónica Deutschland live from the O_2 Tower in Munich. For the 2018/19 Bundesliga season, SPORT1 MEDIA sold the relevant environments to prestigious partners such as CHECK24, Clausthaler Alkoholfrei, Honda and Hankook, for the easyCredit Basketball Bundesliga 2018/19 to Mitsubishi Motors and for the World Darts Championship 2018/19 to, among others, Krombacher, bwin, Maschinensucher.de, McDart, DAZN, Jimdo.de and Sony Music Entertainment. Furthermore, Goldbach Austria has been marketing, as part of a four-year cooperation concluded in November 2018 with SPORT1 MEDIA, the advertising spaces of the Austrian free-TV offer from SPORT1 since January 2019 and in the medium term also the advertising spaces of the digital SPORT1 platforms in Austria. In addition to the Austrian advertising window, Goldbach has also been marketing the Swiss advertising window of SPORT1 already since 2014.

Activities in the fields of betting, poker, casino, and lottery consolidated in new company MAGIC SPORTS MEDIA – Since March 2018, Constantin Medien AG consolidates its marketing portfolio and comprehensive expertise in the fields of betting, poker, casino, lottery and related gaming offers in the specially created new company Magic Sports Media GmbH. For this purpose, Constantin Medien AG has transferred its marketing business with gaming and gambling clients, which was previously handled by the Entertainment division of Sport1 Media GmbH, to the new company.

Since then, MAGIC SPORTS MEDIA offers companies in the gaming and gambling sector, media companies as well as sports associations, leagues and clubs a comprehensive service portfolio encompassing ad sales and consulting.

In the realm of ad sales, clients of MAGIC SPORTS MEDIA can rely on the expertise of the companies in the Constantin Medien Group, from content production to innovative and industry-specific advertising solutions, right through to accessing international markets. In the field of consulting, MAGIC SPORTS MEDIA offers advice and support for market entry, business models, and advertising measures. Clients benefit from across-the-board expertise and a well-established network in the marketing area as well as in the lobbying and regulation sector.

Further expansion of sports business with sports consulting agency Match IQ – In August, Constantin Medien AG has acquired the majority share in Match IQ GmbH via its subsidiary Constantin Sport Holding GmbH. The core competence of the Hamburg-based sports consulting agency lies in the area of event planning, organization and realization. Match IQ is an official and long-term consulting partner to German and international top clubs such as Schalke 04, Eintracht Frankfurt, VfL Wolfsburg, FC Porto, Ajax Amsterdam or PSV Eindhoven in the fields of internationalization, matchday execution as well as the development, acquisition and realization of test matches, tournaments, training camps and international tours. For several years, SPORT1 and Match IQ have already been working successfully together on the broadcasting of friendlies.

With access to an international network, Match IQ, together with the clubs and sponsors, creates new approaches to generating added economic value. The company also develops innovative sports marketing concepts for club brands, associations, rights holders and sponsors. By setting up an events department, the creation of new events is also planned – not just in soccer – which will be organized, mediatized and marketed from a one-stop shop going forward.

Through its core football competence, Match IQ has since 2018 also been realizing projects in other sports and therefore represents a broad sports portfolio. As a full service event agency Match IQ is taking over the conception, organization, mediatization and marketing of events. In this way, Match IQ in October supported the Volleyball Bundesliga (VBL) as part of a cooperation project in the implementation of the comdirect Supercup 2018 in the TUI Arena in Hanover, agreed a wide-reaching cooperation with HRG Sports Europe in the sports and event travel sector and has, as part of a partnership with the Deutsche Triathlon Union e.V. (DTU), been the “Official Partner of the DTU” and “Official Training Camp Partner of the DTU” since November.

Renewal of technology infrastructure: PLAZAMEDIA commissions its new broadcasting center – PLAZAMEDIA was able to further strengthen its market presence in the reporting period with respect to the further development of technological production innovations. In August, PLAZAMEDIA successfully commissioned a completely IP-based broadcasting center with a freely scalable, futureproof infrastructure. The new broadcasting center was designed by PLAZAMEDIA and is implemented using technology of the broadcast specialist Nevion from Norway and Lawo from Germany as well as SonoVTS as system integrator. The new broadcasting center enables customer-oriented production and workflow management from remote production to archives. PLAZAMEDIA has developed the concept for this from a combination of still necessary OnPremise systems and cloud-based services.

In addition, PLAZAMEDIA has invested in the reconstruction of its media asset management in order to remain competitive and innovative also in this field. The system, which has been optimized for individual customer use via web clients, has a high-performance cloud storage system and is designed for services around content management and archiving. Existing customers are expected to have been migrated to the new environment by the end of the first quarter of 2019. The development in this area makes the product portfolio attractive for new customers.

Establishing new customer relationships – In the area of studio production, PLAZAMEDIA acquired some prestigious new customers in the reporting period. The production company responsible for the successful personality show “Ringlstetter” from Bayerischer Rundfunk, SUPERFILM Filmproduktion GmbH, commissioned PLAZAMEDIA with the production of 32 episodes for 2018. PLAZAMEDIA provided a large studio with audience seating, production technology and infrastructure for the production and took responsibility for parts of the post-production process. In addition PLAZAMEDIA took over studio production for KG Media Factory of the prime-time format “zwanzig18 – Die Olympia Show” during the Winter Olympics for Discovery and Eurosport. For the two-week period in February 2018, the live show with studio guests aired every day from 8:15 pm to 10:15 pm and offered viewers an overview of the day’s Olympic action. PLAZAMEDIA provided studio space in the ziegelei101 and comprehensive production services.

In the new music customer segment, PLAZAMEDIA took over production management for the recording of the Sarah Brightman concert for Delight Music Productions in the third quarter of 2018.

Development of existing customer relationships – In the 2018 business year, PLAZAMEDIA was able to further develop its relationship with important existing customers. In July and August, it greatly expanded the production infrastructure for its customer DAZN. Perform has leased additional office space from PLAZAMEDIA, the technical production capacity provided by PLAZAMEDIA has been increased by over 50 percent and a high-performance play-out for two linear DAZN channels was established.

In October, PLAZAMEDIA was commissioned once again by FIBA Media to produce the Basketball Champions League (BCL). In what is already the third season 2018/ 2019, PLAZAMEDIA is responsible for the production of the world feeds at all home matches of the German clubs with integrated on-air graphics and isolated feeds of the main camera perspective including shot-clock.

On behalf of the Handball-Bundesliga, PLAZAMEDIA is taking over the digitalization of tape content and the establishment of an HBL archive. The administration and back-up of the data inventory is performed with the new archive system.

LEiTMOTiF extends budgets and develops customer portfolios – LEiTMOTiF, the consulting unit of the Constantin Medien Group and provider of integrated communication solutions for companies and brands, was able to successfully expand and develop its partnerships with existing customers in the 2018 business year, including FALKEN, Wire7, Hankook and Volkswagen. LEiTMOTiF supports the automobile manufacturer jointly with SPORT1 as a digital service provider within the context of its involvement as “Partner of Soccer”.

With ARES Design and PV Automotive, LEiTMOTiF also gained important new customers. LEiTMOTiF supports the Italian premium tuner ARES Design at strategic and operational level around the creative presentation of the brand. In this process, LEiTMOTiF is actively involved in the area of content consultation and production and has already produced several product films as well as a company portrait for ARES Design. After LEiTMOTiF very successfully implemented an event for PV Automotive last year, this successful partnership is set to continue. PV Automotive is a subsidiary of STAHLGRUBER, a wholesaler for automotive parts, accessories and workshop equipment and one of the most important partners for the automotive repair industry throughout Europe.

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

Free-TV coverage constantly high with most net viewers No. 1 among men‘s and sports channels – The free-TV channel SPORT1 was available in 32.72 million households in Germany in 2018 (2017: 32.59 million), and therefore almost available area-wide, at 84.4 percent of households (2017: 85.0 percent). With around 47 million net viewers* (viewers aged three and over, Z3+) and over 16 million net viewers* in the core target group of males aged 14 to 59 (M14-59), SPORT1 was one of the leading sports’ and men‘s channels in German free-TV in 2018. As expected, the number of net viewers in both target groups was slightly lower than in the previous year, but according to plan, mainly due to the discontinuation of the UEFA Europa League as of the 2018/19 season.

Source: AGF Video Research in cooperation with GfK, videoSCOPE 1.1, January 1 to December 31, 2017/2018, Nutzungsfilter mind. 1 Minute (0/1-Methode), market standard: TV, Data package 2236 from January 16, 2019.

* The key figure net viewer refers to the cumulative number of viewers who switched on the free-TV channel SPORT1 in 2018 with a dwell time of at least one minute.

Ratings success in free-TV – In 2018, SPORT1 broadcasts received average audience ratings of over a million on a total of 27 occasions and peak ratings of over a million on 55 occasions (Z3+), 53 times on average and 99 times in peak at least 750,000 viewers and 89 times on average and 183 times in peak at least 500,000 viewers. Thanks to its wide-reaching live sports broadcasts, highlight magazines and live talk formats in these categories, SPORT1 thus remains by far the number one private free-TV station in Germany, which does not belong to ProSieben Sat.1 TV Deutschland or the Mediengruppe RTL Deutschland.

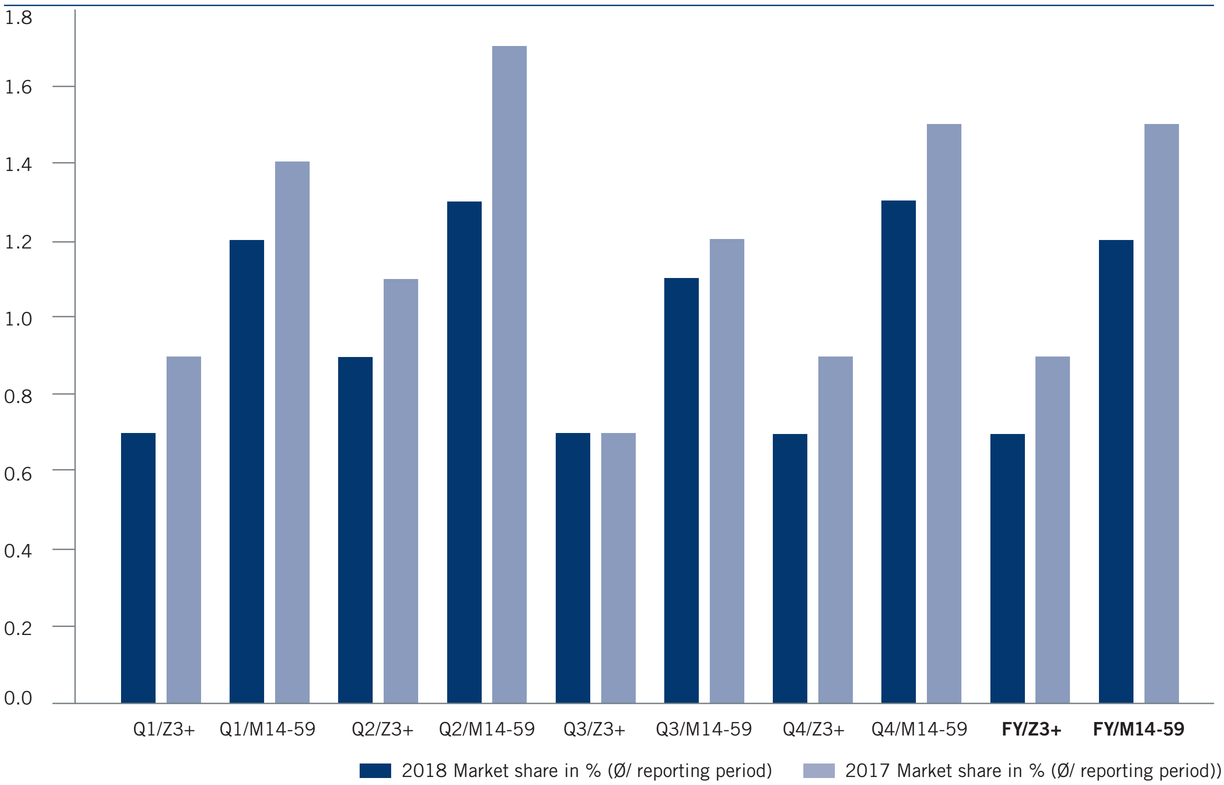
The ratings highlights included in particular soccer with numerous attractive live matches and well-known formats such as “Der CHECK24 Doppelpass”, “Fantalk”, “Bundesliga Aktuell”, “Bundesliga Pur” and other highlight magazines on national and international soccer. In the 2017/18 season, “Der CHECK24 Doppelpass” achieved the best overall quota in five years with an average of one million viewers from age 3 (Z3+) and market shares of 7.5 percent (Z3+) and 11.9 percent in the core target group of males aged 14 to 59 (M14-59). SPORT1 achieved further top ratings in 2018 mainly with the matches in the knockout rounds of the UEFA Europa League season 2017/18, the International Champions Cup, the Ice Hockey World Championship and, in addition to the World Darts Championship, also with the Darts World Matchplay and the Grand Slam of Darts.

Source: AGF Video Research in cooperation with GfK, videoSCOPE 1.1, January 1 to December 31, 2018 market standard: TV.

Market share level slightly below previous year‘s high level, distribution of SPORT1 HD increased – With its attractive program portfolio, SPORT1 achieved market shares of 0.7 percent of viewers 3+ (Z3+) and 1.2 percent of the core target group of males aged 14 to 59 (M14-59) in 2018. As expected, the channel was thus slightly below the high level of the previous year in both target groups, in particular due to the discontinuation of the UEFA Europa League beginning with the 2018/19 season. 2018 saw a further increase in the distribution of SPORT1 HD: As of December 31, 2018, a total of 8.69 million subscribers had subscribed to SPORT1‘s HD offering via the various platform partners (December 31, 2017: 8.44 million) – in each case excluding the subscribers who receive SPORT1 HD via Telekom‘s Magenta TV.

Source: AGF Video Research in cooperation with GfK, videoSCOPE 1.1, January 1 to December 31, 2018 market standard: TV.

SPORT1 | Market shares Free-TV in %



Source: AGF Video Research in cooperation with GfK, videoSCOPE 1.1, January 1 to December 31, 2018 market standard: TV.

Pay-TV distribution still at a high level – Pay-TV channel SPORT1+ recorded a total of around 2.17 million subscribers as of December 31, 2018 (December 31, 2017: 2.19 million). The number of subscribers to SPORT1 US (eSPORTS1 since January 24, 2019) was approximately 1.54 million as of December 31, 2018 (December 31, 2017: 1.51 million).

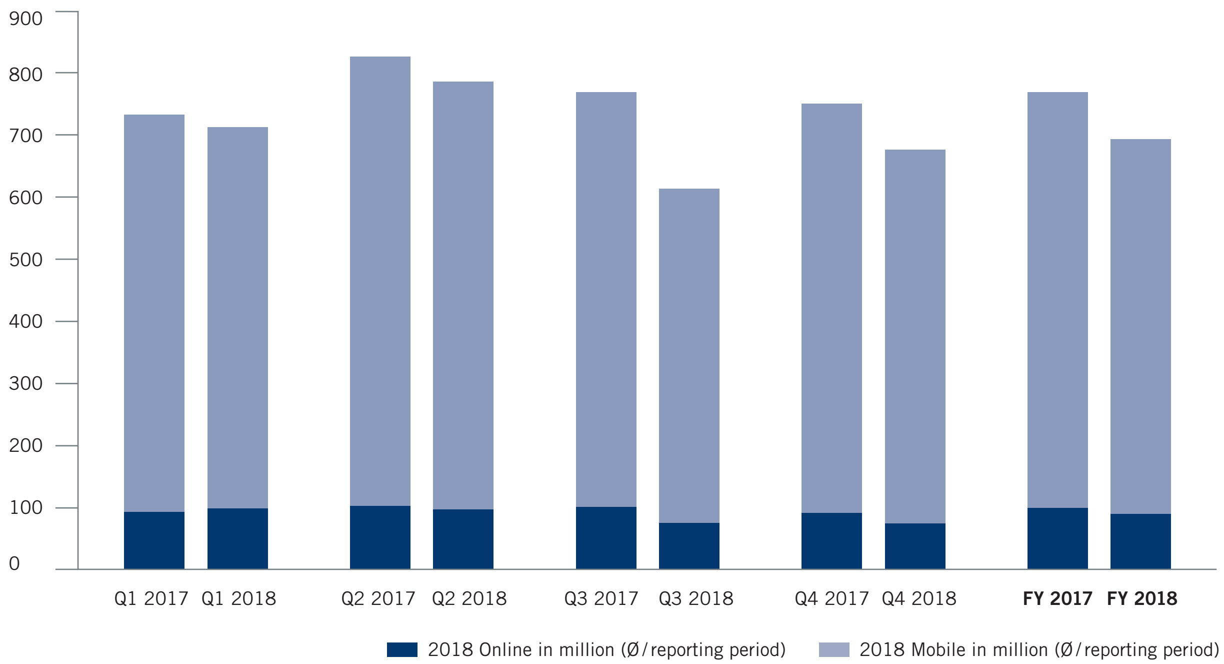
Sources: Values based on reports from cable network and platform operators.

Shift in content usage from online to mobile continues – As expected, page impressions (PIs) in the online area declined in 2018 compared to the previous year. This development is further influenced by the shift in content usage from online to mobile. In addition, the measurement method was adjusted in July 2018, so that comparability between 2018 and 2017 is not possible. The changed measurement method and an incomplete collection of data due to measurement changes in the fourth quarter of 2018 are responsible for the fact that a decline in PIs was recorded in the mobile sector compared to the previous year.

In the online area, visits in 2018 were down on the previous year, also influenced by the shift in content usage from online to mobile. Here, too, there is no comparability between 2018 and 2017 due to the measurement method adjusted in July 2018. In the mobile area, visits in 2018 increased slightly compared to 2017.

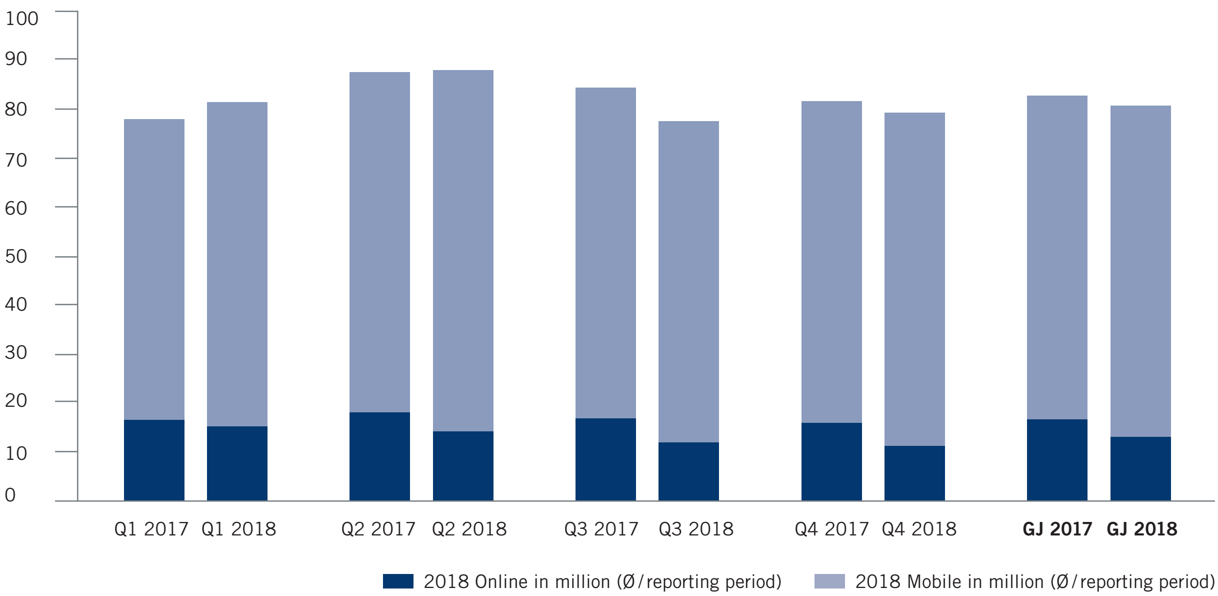
The shift from online to mobile is also noticeable in the unique user (UU) indicator. While fewer unique users were measured in the online sector in 2018, the number of such users increased in the mobile sector compared to 2017. However, both business years can only be compared to a limited extent, as the basis of unique users was changed from 14+ (unique users 14 years and older) to 16+ in 2018 and the available offers do not coincide in the measurement. In July 2018, there was also a change in the measurement method, and due to the measurement changes in the fourth quarter, the unique users were not fully recorded in Q4 2018. The positive development in the mobile area is also attributable to the ongoing optimization of SPORT1.de's apps and mobile website.

SPORT1 I Page Impressions in million



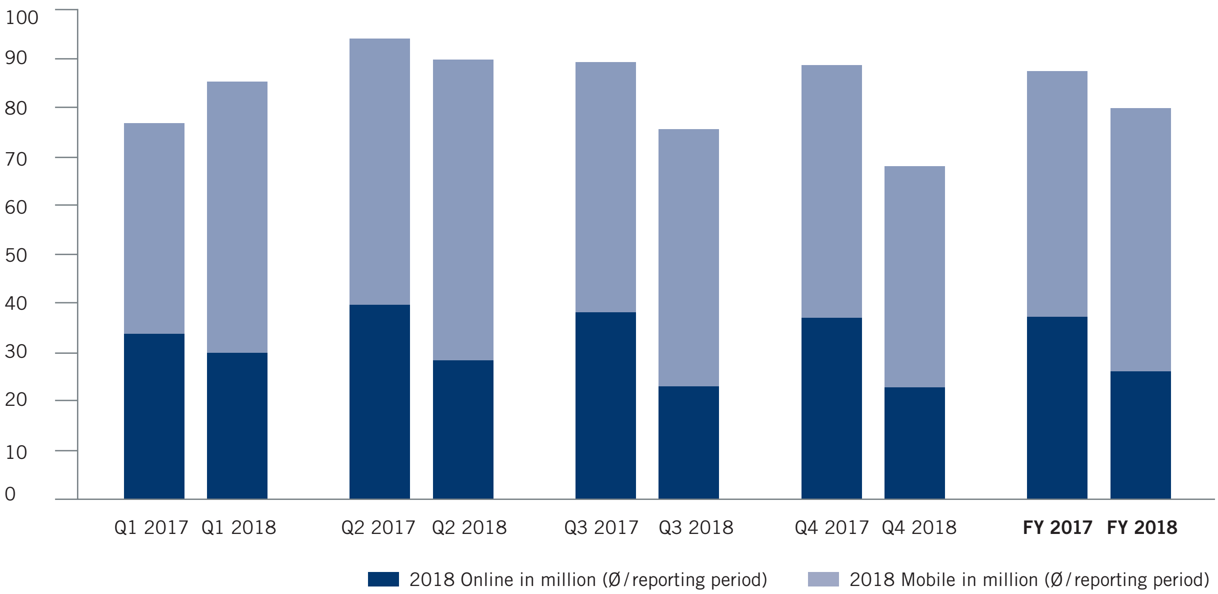
Sources: Online: IVW (German Information Association for the Ascertainment of Distribution of Advertising Media) January 2018 to September 2018, IDAS by INFOnline GmbH October 2018 to December 2018 due to unofficial expulsion by IVW due to measurement adjustments; tv.sport1.de, tippspiel.sport1.de, wmtippspiel.sport1.de; Mobile: IVW (German Information Association for the Ascertainment of Distribution of Advertising Media) January 2018 to September 2018, IDAS von INFOnline GmbH October 2018 to December 2018 due to unofficial expulsion by IVW due to trade fair changes; Mobile incl. MEW, SPORT1 News App, Video App, iM Football App for April 2018, Darts App.

SPORT1 | Visits in million per month



Sources: Online: IVW (German Information Association for the Ascertainment of Distribution of Advertising Media) January 2018 to September 2018, IDAS by INFOnline GmbH October 2018 to December 2018 due to unofficial expulsion by IVW due to measurement adjustments; tv.sport1.de, tippspiel.sport1.de, wmtippspiel.sport1. de; Mobile: IVW (German Information Association for the Ascertainment of Distribution of Advertising Media) January 2018 to September 2018, IDAS von INFOnline GmbH October 2018 to December 2018 due to unofficial expulsion by IVW due to measurement adjustments; Mobile incl. MEW, SPORT1 News App, Video App, iM Football App for April 2018, Darts App.

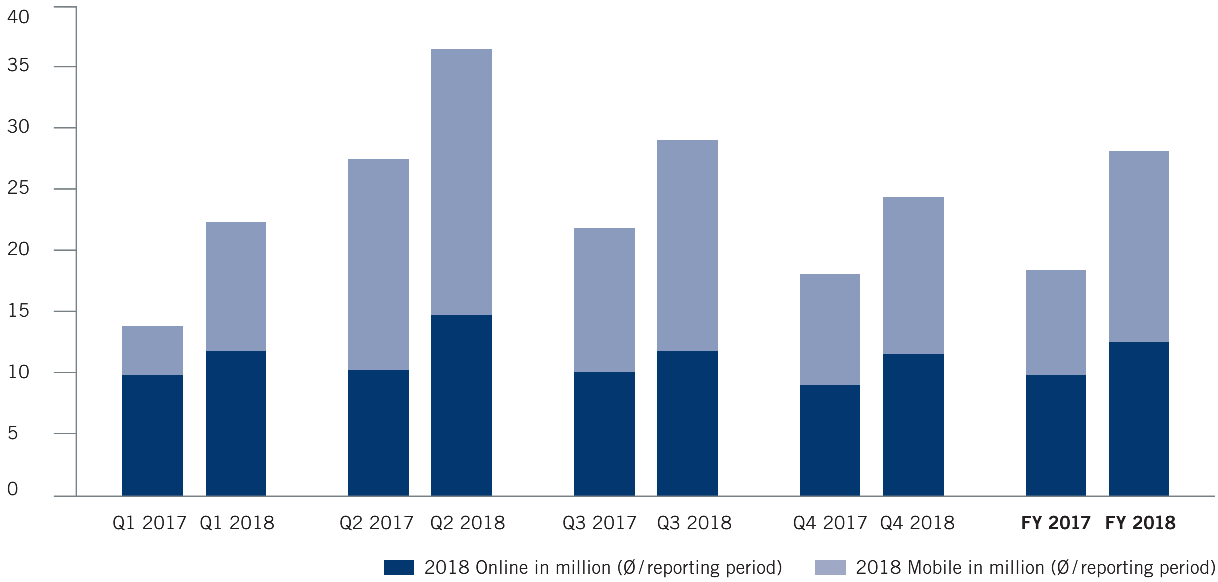
SPORT1 | Unique User in million per month



Sources: AGOF daily digital facts SPORT1.de (basis: 14 years and older) January to December 2017, AGOF daily digital facts SPORT1 Mobile (media combination from Mobile Total) (basis: 14 years and older) January to March 2017, AGOF daily digital facts SPORT1 Mobile (media combination from Mobile Total + SPORT1.fm Mobile Total + SPORT1 Video Mobile Total) (basis: 14 years and older) April to December 2017; AGOF daily digital facts SPORT1.de (basis: 16+) January to December 2018, AGOF daily digital facts SPORT1 Mobile (media combination from Mobile Total + InStream) (basis: 16+) January 2018, AGOF daily digital facts SPORT1 Mobile (media combination from Mobile Total + InStream + iPad App) (basis: 16+) February to December 2017.

Outstanding development of video views – The significant growth in video views on the SPORT1 platforms (excluding YouTube) continued in 2018 as a result of product optimizations and enhancements. Video views on the SPORT1 YouTube Channels increased by 81 percent in 2018 compared to the previous year. These strong increases were achieved in particular through consistent process and structural optimization on all social media platforms as well as the further expansion of the video and livestream offering on YouTube.

SPORT1 I Video Views in million per month



Sources: Video views SPORT1 platforms incl. livestream, without YouTube: DoubleClick/ Google Analytics, January 1 to September 30, 2017/2018; Content Network Glomex and e-Player DAZN, since February 2018*; YouTube Content Management System, January 1 to September 30, 2017/2018.

*Since February 2018, the data from the content network Glomex and the DAZN e-Player have been included in the SPORT1 platforms as new sources. A direct comparison with the same period of the previous year is therefore not possible.

Focus on podcasts in the audio sector – Due to the current rights situation, the digital sports radio SPORT1.fm has no longer been operated since June 2018. The audio range of SPORT1 will in future be covered by the production of podcasts.

Leading position in social media underpinned – At the end of 2018, SPORT1 reached a total of 5.5 million fans and followers (December 2017: 5.0 million) via its social media channels on Facebook, Instagram, Twitter, YouTube, WhatsApp and Google+ and underpinned its position as the leading sports platform in the German-speaking region in the social media.

Source: Social Media Fans: Social Reporting (Facebook, Instagram, Twitter, YouTube, WhatsApp, Google+), as of December 2018.

2.3.4 Litigation

- On March 16, 2018, the Special Representative of Constantin Median AG filed an action before the Munich I Regional Court, in order to assert claims for damages of the Company against the former Chairman of the Supervisory Board Dr Dieter Hahn and the companies KF 15 GmbH and DHV GmbH controlled by him due to breaches of duty in connection with earlier general meetings of Constantin Medien AG. The subject of the action is the assertion of claims for damages with a provisional value in dispute of at least EUR 1.0 million.

- The background to this is the adoption of a resolution by the general meeting of the Company on August 23, 2018 in accordance with Sec. 147(1), sentence 1, of the German Stock Corporations Act (Aktiengesetz), to review and, where applicable, to assert claims for damages against the aforementioned persons and companies, as well as additional persons due to breaches of duty in connection with the general meetings of the Company held on July 6, 2016 and November 9/10, 2016. The general meeting of the Company held on August 23, 2017 appointed by resolution a Special Representative in accordance with sec. 147 para. 2, sentence 1, Corporations Act to review and assert the compensation claims.

- On April 27, 2018, Constantin Medien AG filed four additional actions before the Munich I Regional Court, in order to assert claims of the Company against the company KF 15 GmbH controlled by Dr Dieter Hahn, the law firm of the former Supervisory Board Member Dr Bernd Kuhn (Kuhn Rechtsanwälte) and the Chairman of the General Meetings held on July 6, 2016 and November 9/10, 2016, Franz Enderle.

- The subject of the actions against KF 15 GmbH are on the one hand repayment claims of the Company based on unjust enrichment due to incorrect accounting under the revenue distribution agreement of the Formula 1 litigation group of approximately EUR 2.05 million to date. In a further action against KF 15 GmbH, the Company is demanding a rendering of accounts because of the failure to date to provide evidence of costs resulting from the litigation in the Formula 1 proceedings despite an appropriate request to do so. Before the proceedings were concluded with a judgment, KF 15 GmbH complied with Constantin Medien AG's request and evidenced the costs of approximately EUR 2.05 million. The Company was therefore able to declare the action for rendering of accounts settled in February 2019. The costs resulting from the litigation in the Formula 1 proceedings which have now been evidenced are cause for the examination of further claims against KF15 GmbH as part of the aforementioned action for payment.

- The action in the case of the law firm Kuhn Rechtsanwälte is an action for payment because of unjustified enrichment of approximately EUR 657,000 based on wrongly invoiced attorneys' fees. The action against Franz Enderle concerns damage due to breaches of duty as Chairman of the two General Meetings held in 2016. This damage is also the subject of the action of the special representative appointed by the general meeting against the former Chairman of the Supervisory Board Dr Dieter Hahn and the companies KF 15 GmbH and DHV GmbH controlled by him.

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

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

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

The effects of the first-time adoption of IFRS 9 Financial instruments and IFRS 15 Revenues from contracts with customers were recognized directly in equity. Accordingly, the previous year's figures have not been adjusted.

2.4.1 Overall assessment of the reporting period

Constantin Medien Group | Business development in EUR million

	2018	2017*	Change	Change in %
Revenues	**119.1**	263.8	-144.7	-54.9%
Operating result before depreciation/ amortization and impairment (EBITDA)	**1.3**	83.7	-82.4	-98.5%
Operating result (EBIT)	**-2.8**	36.7	-39.5	-107.6%
Financial result	**-0.5**	-5.3	4.8	90.6%
Earnings attributable to shareholders	**-4.3**	27.8	-32.1	-115.5%

* The prior year includes the pro rata results of Highlight Communications AG until June 12, 2017 and the non-recurring non-cash deconsolidation gain of EUR 38.3 million.

In the reporting year, the Group achieved revenues of EUR 119.1 million and was thus in the middle of the forecast range of EUR 110 million to EUR 130 million. This corresponds to a decrease of 54.9 percent compared to the previous year's revenues of EUR 263.8 million. The significant decline is attributable to the fact that in the prior year's period up to June 12, 2017, revenues and earnings attributable to the shareholders of the Highlight Communications group with the Film Segment as well as the Sports- and Event-Marketing Segment were included in the Constantin Medien Group.

At EUR -2.8 million, earnings before interest and taxes (EBIT) were EUR 39.5 million below the previous year's level (2017: EUR 36.7 million). The previous year's period was characterized by the non-recurring non-cash gain from the deconsolidation of Highlight Communications AG in the amount of EUR 38.3 million.

The financial result in 2018 amounted to EUR -0.5 million and showed a significant improvement of EUR 4.8 million compared to the previous year, which was still characterized in particular by the interest charges for the corporate bond 2013/2018 repaid in April 2018.

As a result, the consolidated net profit for the year and the profit attributable to shareholders were lower than in the previous year, but in line with expectations. The earnings attributable to shareholders amounted to EUR -4.3 million (2017: EUR 27.8 million) and were thus at the lower end of the forecast range of EUR -1.5 million to EUR -4.5 million.

Constantin Medien Group | Business development excluding earnings contributions of Highlight Communications AG and deconsolidation gain (EUR 38.3 Mio.) in EUR million*

	2018	2017	Change	Change in %
Revenues	**119.1**	139.3	-20.2	-14.5%
Operating result before depreciation/ amortization and impairment (EBITDA)	**1.3**	-0.6	1.9	316.7%
Operating result (EBIT)	**-2.8**	-6.6	3.8	57.6%
Financial result	**-0.5**	-3.9	3.4	87.2%
Earnings attributable to shareholders	**-4.3**	-11.1	6.8	61.3%

* Pro forma information, not IFRS-compliant and unaudited

Excluding the revenues contributions of the Highlight Communications AG group in the previous year‘s period, revenues decreased from EUR 139.3 million to EUR 119.1 million in the reporting period. The 14.5 percent year-on-year decline is mainly attributable to the fact that revenues from the Sky contract with PLAZAMEDIA were still included in the first half of 2017.

Excluding the contributions of the Highlight Communications AG companies and the non-recurring non-cash deconsolidation gain of 38.3 million Euro in the previous year‘s period, operating earnings before depreciation/amortization and impairment (EBITDA) improved from negative to positive at EUR 1.3 million. EBIT also improved significantly in the reporting period by 57.6 percent from EUR -6.6 million to EUR -2.8 million. In particular, the fourth quarter of 2018 contributed to this improvement by improving EBIT by EUR 4.0 million from EUR -0.6 million in the prior-year quarter to EUR 3.4 million.

The financial result for 2018 amounted to EUR -0.5 million and showed a noticeable improvement of EUR 3.4 million compared to the previous year, which was still characterized in particular by the interest charges for the corporate bond 2013/2018 repaid in April 2018 and the derecognition of Highlight Communications AG shares.

Consolidated net loss attributable to shareholders amounted to EUR -4.3 million in 2018 and thus improved by 61.3 percent or EUR 6.8 million (2017: EUR -11.1 million) compared to the previous year‘s period - excluding the earnings contributions of the Highlight Communications group fully consolidated until June 12, 2017 as well as the non-recurring non-cash deconsolidation gain of EUR 38.3 million. The significant year-on-year improvement was achieved even though PLAZAMEDIA GmbH‘s operating result deteriorated by EUR 5.9 million in 2018 due to the expiry of the Sky contract as of June 30, 2017, among other things due to the restructuring measures implemented.

2.4.2 Sports division

Sports division | Development in EUR million

	2018	2017	Change	Change in %
Revenues	**119.1**	139.3	-20.2	-14.5%
Operating result before depreciation/ amortization and impairment (EBITDA)	**5.1**	7.8	-2.7	-34.6%
Operating result (EBIT)	**1.1**	1.9	-0.8	-42.1%

The Sports division recorded a significant decline in revenues. Revenues amounted to EUR 119.1 million, a decline of 14.5 percent compared to the previous year (2017: EUR 139.3 million). The decline is due in particular to the loss of Sky sales at PLAZAMEDIA of around EUR 15.0 million. In addition, TV advertising revenues declined, in particular due to the discontinuation of the UEFA Europa League as of the second half of 2018. On the other hand, advertising revenues from digital products as well as from third-party marketing and consulting developed positively.

In the 2018 financial year, SPORT1's market share among viewers aged three years and older (Z3+) and in the core target group of 14- to 59-year-old men (M14-59) was below the previous year's level. The ambitious budget figures for Z3+ and the core target group M14-59 were thus not achieved. Accordingly, TV advertising revenues were well below the previous year's level and slightly below the company's own expectations. Newly acquired sports rights, including boxing rights, were unable to offset the decline.

The reasons for this included the discontinuation of the UEFA Europa League as of the second half of the year, the year-round discontinuation of the 2nd Bundesliga live match and the matchday analysis on Monday evening as well as the special competition from the Olympic Winter Games in South Korea and the Football World Cup in Russia. SPORT1 recorded gratifying ratings developments with „Der CHECK24 Doppelpass" and „Bundesliga Pur", darts events such as the World Darts Championships and the Champions Hockey League. However, this did not fully offset the coverage losses.

Due to an adjustment of the measurement method in July 2018 and a change in the measurement method in the fourth quarter of 2018, it is not possible to compare the online and mobile coverage of the digital platforms between 2018 and 2017. The video views of the SPORT1 platforms without YouTube (incl. live stream) rose by 28 percent year-on-year, the video views on the SPORT1 YouTube channels even by 81 percent. However, the ambitious target values for page impressions, visits and video views were missed. Nevertheless, sales in the digital area were increased considerably year-on-year in cooperation with the new marketing partner, and expectations were only just missed.

In the area of production services, revenues and operating profit fell significantly due to the complete discontinuation of the Sky contract in 2018. In addition, revenues were below the company's own expectations. Without the restructuring expenses of around EUR 0.7 million in 2018, however, the operating result would have been in line with expectations.

The revenues and positive operating profit contributions of the companies in the third-party marketing and consulting area, which were significantly higher than in the previous year and slightly above expectations, developed positively in the 2018 financial year.

At EUR 69.0 million, the cost of materials was well below the previous year's level of EUR 79.1 million. License expenses hardly changed at all. Savings due to the fact that the UEFA Europa League was only shown for six months were offset by significantly higher expenses for Bundesliga football rights from mid-2017 and by newly acquired boxing rights. However, significant savings were achieved in production costs, partly due to the discontinuation of the Sky contract for the entire year.

Due to the significant decline in revenues, earnings in the reporting year fell by 42.1 percent to EUR 1.1 million (2017: EUR 1.9 million) and were thus significantly below expectations.

2.4.3 Others division

The result of the Other division amounted to EUR -3.9 million (2017: EUR 29.7 million) and was thus considerably lower than in the previous year. This included the non-recurring non-cash gain of EUR 38.3 million from the deconsolidation of Highlight Communications AG. Despite legal and consulting costs remaining high and above budget, earnings were better than expected. This was achieved thanks to significantly lower personnel expenses (EUR -2.3 million) and unplanned non-recurring final payments of EUR 1.4 million from the Kirch Media insolvency.

2.4.4 Results of operations of the Constantin Medien Group

The consolidated result for the year amounted to EUR -4.4 million after EUR 28.8 million in the previous year. However, the share of earnings attributable to shareholders of EUR -4.3 million (2017: EUR 27.8 million) at the lower end of the earnings range was in line with expectations. Basic and diluted earnings per share amounted to EUR -0.05 (2017: EUR 0.30 per share). Profit attributable to non-controlling interests amounted to EUR -0.1 million in the reporting period (2017: EUR 0.9 million).

The earnings position of the Constantin Medien Group in the prior year's period was mainly characterized by the deconsolidation of Highlight Communications AG as of June 12, 2017. This explains the large deviations in all items of the statement of profit or loss compared to the prior year's period. In addition to these effects and the development of revenues as well as material and license expenses presented in chapter 2.4.2, the following changes are to be highlighted in detail:

The significant decline in other operating income is partly because the prior-year period included income of EUR 10.1 million from the so-called Formula 1 settlement. The unplanned non-recurring final payments from the Kirch Media insolvency amounting to EUR 1.4 million compared to EUR 0.6 million in the previous year had a counteracting effect in the reporting period.

The reduction in personnel expenses is due on the one hand to the lower average number of employees during the financial year and the reduction of the Management Board from three to two members and lower expenses for severance payments.

Other operating expenses decreased, among other things, because the previous year's period included expenses of EUR 9.5 million from KF 15 GmbH for the management of Formula 1 processes. In addition, other legal and consulting expenses decreased by EUR 3.8 million and rental expenses by EUR 0.8 million.

The financial result improved significantly in the reporting period by EUR 4.8 million to EUR -0.5 million (2017: EUR -5.3 million), in particular due to the discontinuation of the interest charge for the corporate bond 2013/2018 and for the Stella loan totaling EUR 4.7 million. Based on the dividend expectations for the Highlight Communications AG shares, a positive financial result is expected in the future. After several years, the Constantin Medien Group again had net liquidity instead of net debt as at December 31, 2018.

Due to the successful takeover offer by Highlight Communications AG and Studhalter Investment AG and the associated change of control at Constantin Medien AG, the tax loss carryforwards from previous years as well as those from the current period until the completion of the takeover offer have been eliminated. As a result, deferred tax assets from prior years in the amount of EUR 0.6 million and from the current year in the amount of EUR 0.6 million were reversed to income.

2.4.5 Net assets of the Constantin Medien Group

Constantin Medien Group | Consolidated statement of financial position (abbreviated version) in EUR million

	12/31/2018	12/31/2017	Change	Change in %
Non-current assets	**54.5**	120.3	-65.8	-54.7%
Current assets	**36.5**	54.8	-18.3	-33.4%
Total assets	**91.0**	175.1	-84.1	-48.0%

In total, non-current assets decreased by EUR 65.8 million. Other non-current financial assets decreased by EUR 73.8 million due to the sale of Highlight Communications AG shares on March 22, 2018, and April 19, 2018. On March 22, 2018, a total of 12,417,482 Highlight Communications AG shares were sold to Highlight Event and Entertainment AG at a price of 5.20 Euro per share with a total value of EUR 64.6 million. On April 19, 2018, a further 2,000,000 Highlight Communications AG shares were sold over-the-counter at a price of 5.20 Euro per share with a total value of EUR 10.4 million. The sales were made on the one hand to fully repay the corporate bond due in April 2018 (volume EUR 65 million) and on the other hand to secure future liquidity and the going concern.

On the other hand, the increase in property, plant and equipment by EUR 5.9 million, in particular due to investments in the new broadcasting center at PLAZAMEDIA GmbH, as well as the increase in intangible assets by EUR 2.3 million as a result of own work capitalized for digital products at Sport1 GmbH had a counteracting effect.

Current assets decreased by EUR 18.3 million to EUR 36.5 million as at December 31, 2018 (December 31, 2017: EUR 54.8 million), mainly due to the balance sheet date related decrease of trade accounts receivable and other receivables by EUR 15.1 million as well as the decrease of cash and cash equivalents by EUR 7.4 million (see chapter 2.4.7 Liquidity development of the Constantin Medien Group).

2.4.6 Financial position of the Constantin Medien Group

In addition to equity, additional borrowed capital is used for Group financing if required. In September 2018, Constantin Medien AG agreed a working capital credit line in the amount of EUR 7 million with Commerzbank AG for this purpose. The equity management of Constantin Medien AG comprises all statement of financial position items of equity, whereby the treasury shares held are to be deducted. Constantin Medien AG also monitors all debt items as part of Group management.

The Group is exposed to various financial risks arising from its operating and financing activities. Financial risks can be broken down into the categories liquidity risks, credit risks and market risks (including currency, interest rate and price risks). These risks are reviewed centrally within the Constantin Medien Group. The risk situation is recorded by the risk manager based on standardized risk reports and reported to the Management Board of Constantin Medien AG based on 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 on the Group's financial risks, please refer to the risk presentation in the combined Group management and management report in chapter 7.2.8 of this annual report.

Constantin Medien Group | Consolidated statement of financial position (abbreviated version) in EUR million

	12/31/2018	12/31/2017	Change	Change in %
Equity attributable to shareholders	**60.0**	62.9	-2.9	-4.6%
Non-controlling interests	**0.2**	0.0	0.2	–
Total equity	**60.2**	62.9	-2.7	-4.3%
Non-current liabilities	**2.4**	0.9	1.5	166.7%
Current liabilities	**28.4**	111.3	-82.9	-74.5%
Total equity and liabilities	**91.0**	175.1	-84.1	-48.0%

The equity of the Constantin Medien Group as at December 31, 2018 decreased by EUR 2.7 million to EUR 60.2 million (December 31, 2017: EUR 62.9 million). On the one hand, the reduction is earnings-related in the amount of EUR -4.4 million. On the other hand, the valuation gains of EUR +1.4 million on Highlight Communications AG shares had a counteracting effect. The non-controlling interests relate to the minority shareholder of Match IQ GmbH.

The equity ratio (total equity in relation to total assets) was 66.1 percent as at December 31, 2018 compared to 35.9 percent as at December 31, 2017. The increase in the equity ratio is attributable to the sharp reduction in current liabilities (EUR -82.9 million).

Non-current liabilities increased by EUR 1.5 million to EUR 2.4 million (December 31, 2017: EUR 0.9 million) due to finance lease liabilities of EUR 0.8 million and an increase in deferred tax liabilities of EUR 0.7 million.

The reduction in current liabilities is attributable on the one hand to the punctual and complete repayment of the corporate bond on April 23, 2018 (EUR 63.9 million) and on the other hand to the reduction in trade accounts payable and other liabilities as at the reporting date (EUR 18.9 million). On the one hand, trade accounts payable and outstanding invoices decreased. On the other hand, contractual liabilities were still reported under other liabilities in the previous year. At year-end, the Constantin Medien Group‘s borrowings mainly consist of liabilities for finance leases.

In addition, as at December 31, 2018, working capital credit lines and guarantee lines in the amount of EUR 7.0 million each are available (December 31, 2017: guarantee lines in the amount of EUR 21.2 million).

There were no off-balance sheet financing instruments either as at December 31, 2018 or as at the previous year‘s balance sheet date. The Constantin Medien Group also uses operating leases, mainly for offices, warehouses, office equipment and vehicles. As in the previous year, the scope of these leases has no material impact on the economic situation of the Group.

2.4.7 Liquidity development of the Constantin Medien Group
2.4.7.1 Cash flow of the Constantin Medien Group

Constantin Medien Group | Consolidated statement of cash flows (abbreviated version) in EUR million

	2018	2017	Change	Change in %
Cash flows from operating activities	**-7.4**	19.6	-27.0	-137.8%
Cash flows from investing activities	**64.1**	-120.4	184.5	153.2%
Cash flows from financing activities	**-64.2**	17.5	-81.7	-466.9%
Total cash flows	**-7.5**	-83.3	75.8	91.0%

In the reporting period, the Constantin Medien Group generated a negative cash flow from operating activities of EUR 7.4 million (2017: EUR 19.6 million positive cash flow). This includes the final interest payment for the corporate bond 2013/2018 in the amount of around EUR 4.5 million, which was made from current liquidity. The decline in cash flow from operating activities is mainly attributable to the decline in revenues on the one hand and to the change in net working capital on the other.

Investing activities resulted in a cash inflow of EUR 64.1 million (2017: cash outflow of EUR 120.4 million) due to the cash inflow from the sale of Highlight Communications AG shares totaling EUR 75.0 million. The investment in the new broadcasting center at PLAZAMEDIA GmbH and in digital products in particular had a counteracting effect. The previous year's period was still characterized by payments for film assets (cash outflow EUR 57.1 million) and the disposal of cash and cash equivalents due to the deconsolidation of Highlight Communications AG (cash outflow EUR 60.3 million).

The cash outflow from financing activities amounted to EUR 64.2 million (2017: cash inflow of EUR 17.5 million). This change resulted from the full repayment of the 2013/2018 corporate bond on April 23, 2018.

In total, there was a negative cash flow of EUR 7.5 million in the reporting period (2017: negative cash flow of EUR 83.3 million).

2.4.7.2 Liquidity position and management of the Constantin Medien Group

Cash and cash equivalents are managed by Constantin Medien AG in coordination with the operating companies. Constantin Medien AG acts as financial coordinator in order to ensure that the financial requirements for the operating business and investments are always covered as cost-effectively as possible and sufficiently. The basis for this is liquidity planning with deviation analysis as well as net liquidity and net debt. In addition, the liquidity status within the Group is regularly reviewed.

Constantin Medien Group | Net liquidity/net debt in EUR million

	12/31/2018	12/31/2017	Change	Change in %
Cash and cash equivalents	**13.4**	20.9	-7.5	-35.9%
Current financial liabilities	**0.2**	63.9	-63.7	99.7%
Non-current financial liabilities	**0.8**	0.0	0.8	-
Net liquidly/net debt	**12.4**	-43.0	55.4	128.8%

Following the repayment of the corporate bond 2013/2018 and the cash inflow from the sales of Highlight Communications AG shares, the Constantin Medien Group again has net liquidity instead of net debt as at December 31, 2018 after several years. In addition, Constantin Medien AG held approximately 6.18 million Highlight Communications AG shares with a market value of approximately EUR 31.3 million as at the balance sheet date.

The conservatively oriented 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 event of major investments and acquisitions, additional financing measures may be agreed with the Group parent company.

2.4.7.3 Investments of the Constantin Medien Group

In financial year 2018, additions to intangible and tangible assets in the Group amounted to EUR 12.2 million (2017: EUR 59.8 million). EUR 8.8 million were invested in property, plant and equipment, primarily for the new broadcasting center at PLAZAMEDIA GmbH. The investment in intangible assets amounted to EUR 3.4 million, mainly for digital products.

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

The Group management report and the management report of Constantin Medien AG for the 2018 financial year are combined in accordance with § 315 (5) HGB in conjunction with § 298 (2) HGB. Constantin Medien AG is the parent company of the Constantin Medien Group based in Ismaning. It is responsible for management functions such as corporate strategy and risk management for the Constantin Medien Group, investment management and central financing as well as other services. As the Group Management Holding with the divisions Finance, Accounting, Controlling, Internal Audit, Communication, Investor Relations, IT, Human Resources and Legal, Constantin Medien AG provides internal Group services. In addition, the majority of the German companies were subject to income tax in the reporting period as a fiscal entity.

The economic conditions of Constantin Medien AG essentially correspond to those of the Group described in chapter 2.3. Constantin Medien AG as the parent company of the Constantin Medien Group is integrated into the Group-wide risk and opportunity management system. Further information on this and on the description of the internal control system required for Constantin Medien AG pursuant to § 289 (4) HGB is presented in chapter 7 risk and opportunity report.

The annual financial statements of Constantin Medien AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) for a large corporation in accordance with § 267 (3) HGB and the supplementary provisions of §§ 150 et seq. of the German Stock Corporation Act (AktG).

2.5.1 Results of operations of Constantin Medien AG

Constantin Medien AG | Income statement according to HGB (abbreviated version) in EUR million

	2018	2017	Change	Change in %
Revenues	**3.2**	4.1	-0.9	-22.0%
Other operating income	**2.3**	13.4	-11.1	-82.8%
Cost of materials	**-1.3**	-1.9	0.6	-31.6%
Personnel expense	**-3.2**	-5.6	2.4	-42.9%
Depreciation and amortization	**-0.1**	-0.1	0.0	0.0%
Other operating expenses	**-4.8**	-18.1	13.3	-73.5%
Operating result	**-3.9**	-8.2	4.3	-52.4%
Financial result	**0.2**	28.9	-28.7	-99.3%
Income tax	**-0.6**	-0.8	0.2	-25.0%
Result after tax	**-4.3**	19.9	-24.2	-121.6%
Other tax	**0.0**	0.0	0.0	0.0%
Net loss/net income	**-4.3**	19.9	-24.2	-121.6%

The annual result 2018 of Constantin Medien AG developed in line with expectations.

Revenues of the holding company amounted to EUR 3.2 million and were thus 22 percent lower than in the previous year (2017: EUR 4.1 million). It includes revenues from the recharging of Group-internal administration and management services. The decline in revenues resulted from lower charges for intragroup services mainly due to lower headcount at Constantin Medien AG, which provides services for the subsidiaries.

The annual result of Constantin Medien AG was mainly influenced by the development of revenues, other operating income, personnel expenses, other operating expenses and the financial result.

Other operating income amounted to EUR 2.3 million, a significant decline of EUR 11.1 million compared with the previous year (2017: EUR 13.4 million). This was mainly due to the non-recurring income from the Formula 1 settlement between Constantin Medien AG and Bayerische Landesbank (EUR 10.1 million) recorded in the prior-year period. Income from cash receipts from the Kirch Media insolvency amounted to around EUR 1.4 million in the reporting year compared to EUR 0.6 million in the previous year, an increase of EUR 0.8 million. In addition, income from exchange rate differences decreased by EUR 1.8 million and income from the reversal of provisions by EUR 0.2 million.

Personnel expenses decreased by EUR 2.4 million from EUR 5.6 million to EUR 3.2 million. This development resulted from lower headcount, the reduction in the number of Management Board Members from three to two and significantly lower expenses for severance payments.

In addition, other operating expenses decreased by EUR 13.3 million to EUR 4.8 million in 2018 (2017: EUR 18.1 million). This was mainly due to the expenses for business care in connection with the so-called formula 1 procedure (EUR 9.5 million) recorded in the prior-year period. In addition, legal and consulting costs decreased by EUR 3.3 million and losses from exchange rate differences by EUR 0.5 million.

The financial result amounted to EUR 0.2 million in the reporting year after EUR 28.9 million in 2017. The significant decline resulted primarily from the lower income from investments (EUR -9.3 million; the lower income from investments results from a lower number of Highlight Communications AG shares and from the fact that a special dividend was distributed by Highlight Communications AG in the previous year) as well as lower recognized changes in value on financial investments (EUR -20.6 million). There was a contrary development in interest expenses, which decreased by EUR 6.3 million, among other things due to the full repayment of the corporate bond 2013/2018 in April 2018. Constantin Medien AG had to take over EUR -0.8 million from the subsidiary Constantin Sport Holding GmbH on the basis of the profit and loss transfer agreement (2017: EUR +4.3 million).

The improvement of the tax result by EUR 0.2 million to EUR -0.6 million (2017: EUR -0.8 million) is mainly attributable to changes in deferred taxes.

2.5.2 Net assets and financial position of Constantin Medien

Constantin Medien AG | Balance sheet according to HGB (abbreviated version) in EUR million

	12/31/2018	12/31/2017	Change	Change in %
Property, plant and equipment and intangible assets	**0.2**	0.2	0.0	0.0%
Financial assets	**111.4**	185.0	-73.6	-39.8%
Fixed assets	**111.6**	185.2	-73.6	-39.7%
Receivables and other assets	**7.3**	5.8	1.5	25.9%
Other securities	**0.0**	1.0	-1.0	-100.0%
Cash on hand, bank balances	**5.6**	6.5	-0.9	-13.8%
Current assets	**12.9**	13.3	-0.4	-3.0%
Prepaid expenses and deferred taxes	**1.9**	2.7	-0.8	-29.6%
Total assets	**126.4**	201.2	-74.8	-37.2%
Equity	**119.8**	124.1	-4.3	-3.5%
Provisions	**5.7**	8.0	-2.3	-28.8%
Liabilities	**0.9**	69.1	-68.2	-98.7%
Total equity and liabilities	**126.4**	201.2	-74.8	-37.2%

On the assets side of the Company‘s balance sheet, non-current assets decreased by EUR 73.6 million to EUR 111.6 million (December 31, 2017: EUR 185.2 million), mainly due to the EUR 73.5 million decrease in non-current assets due to the sale of Highlight Communications AG shares on March 22, 2018, and April 19, 2018. 12,417,482 Highlight Communications AG shares were sold to Highlight Event and Entertainment AG at a price of 5.20 Euro per share with a total value of EUR 64.57 million on March 22, 2018. On April 19, 2018, a further 2,000,000 Highlight Communications AG shares were sold over-the-counter at a price of 5.20 Euro per share with a total value of EUR 10.4 million.

Regarding current assets, receivables from affiliated companies increased by EUR 2.5 million as at the balance sheet date, among other things due to the extension of a loan to PLAZAMEDIA GmbH. Other receivables decreased by EUR 1.0 million. The own bonds in the corporate bond matured in April 2018 and reduced the repayment amount of the corporate bond.

On the equity and liabilities side of the balance sheet, the Company reported equity of EUR 119.8 million as at December 31, 2018 (December 31, 2017: EUR 124.1 million). The equity ratio increased by 33.1 percentage points to 94.8 percent (December 31, 2017: 61.7 percent) due to the decline in total assets as at December 31, 2018.

A reserve to the amount of the carrying value of the investment in Highlight Communications AG was recorded for shares in a controlling company or a company in which a majority interest is held at the expense of the retained earnings. The reclassification did not lead to any change in the amount of equity.

Liabilities as at December 31, 2018 decreased by EUR 68.2 million to EUR 0.9 million after EUR 69.1 million as at December 31, 2017. The reduction of EUR 68.2 million in current liabilities is mainly attributable to the timely and complete repayment of the corporate bond on April 23, 2018.

Provisions decreased by EUR 2.3 million year-on-year to EUR 5.7 million (December 31, 2017: EUR 8.0 million). This reduction was mainly due to the reduction in provisions for legal and consulting costs (EUR -1.7 million) and provisions for outstanding invoices (EUR -0.4 million).

There were no off-balance sheet financing instruments as at December 31, 2018 or the previous year‘s reporting date. Constantin Medien AG mainly uses operating leases for offices, warehouses, office equipment and vehicles.

2.5.3 Financial position of Constantin Medien AG

Constantin Medien AG reported cash and cash equivalents of EUR 5.6 million as at December 31, 2018 (December 31, 2017: EUR 6.5 million). In addition, loans to subsidiaries amounted to EUR 7.0 million as at the balance sheet date (December 31, 2017: EUR 0 million). Following the repayment of the corporate bond 2013/2018, Constantin Medien AG no longer had any financial liabilities as at December 31, 2018 and is thus debt-free from a balance sheet perspective.

As at December 31, 2018, Constantin Medien AG had an unused working capital credit line of EUR 7.0 million and an unused guarantee facility of EUR 3.3 million (December 31, 2017: EUR 9.7 million only guarantee facility). In addition to external financing sources, the financial strength of Constantin Medien AG is influenced by profit transfers from subsidiaries and dividend income.

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, 2018, the Constantin Medien Group had a total of 583 employees including freelance employees (December 31, 2017: 569 employees). This corresponds to an increase by 2.5 percent by closing date comparison. Group-wide the number of salaried employees as of December 31, 2018, increased by 6.6 percent to 388 employees (December 31, 2017: 364 people).

The average number of salaried and freelance employees at the Constantin Medien Group over the year declined to 569 employees, which was 47.4 percent below the previous year (2017: 1.081 employees), which also resulted in lower personnel expenses. At 376 employees, the number of permanent employees on annual average was 48.2 percent below the value for 2017 (726 employees). The number of average project-related employees decreased by 45.9 percent to 192 (2017: 355 employees). This reduction is mainly attributed to the deconsolidation of the Highlight Communications group with the segments Film as wells as Sports- and Event-Marketing as of June 12, 2017 and personnel reduction at the production subsidiary PLAZAMEDIA GmbH due to the termination of the production frame work contract with Sky at the end of June 2017.

The headcount of Constantin Medien AG stood at 17 employees as of December 31, 2018 (December 31, 2017: 22 employees). The annual average number of employees at the Constantin Medien AG amounted to 18 employees (2017: 24 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 GOVRNANCE PURSUANT TO SEC. 289f AND 315d CODE (HGB)

With respect to the declaration of compliance, the information on corporate governance practice and the composition and working methods of the Management Board and the Supervisory Board, as well as the composition and functioning of committees, we refer to the chapter of this report on the declaration of corporate governance pursuant to sec. 289f and sec. 315d of the German Commercial Code (Handelsgesetzbuch, HGB) and to our website: www.constantin-medien.de/Investor Relations/Corporate Governance/Erklärung zur Unternehmensführung

It was determined with resolutions of the Management Board and the Supervisory Board of Constantin Medien AG that for the period up to September 30, 2023, the share of female members in the Supervisory Board and in the Management Board is to be maintained and a share of 25 percent female members at the management level below the Management Board is to be achieved. A second management level below the Management Board does not exist. Constantin Medien AG is a holding company and had an annual average of 18 employees in 2018. The share of female members is currently as follows: Supervisory Board: approximately 17 percent, Management Board: 0 percent, 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. In addition, the Chief Officer Legal and Finance receives an annual minimum bonus of EUR 75,000.

The variable remuneration component of the former Board Member Mr Fred Kogel, in addition to the above-mentioned, consisted 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 former 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. Therefore the exercise period began on October 1, 2017. 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. As of September 30, 2017, the wait ing period has expired. Since then, the 2-year exercise period has been in effect for all stock appreciation rights. The exercise can be carried out monthly on the 15th calendar day. On November 15, 2017, the former Chief Executive Officer Fred Kogel exercised 333,334 stock appreciation rights at an issue price of EUR 1.80 (EUR 90,021) and on February 15, 2018 333,333 stock appreciation rights at an issue price of EUR 2.10 (EUR 46,344). All claims of Mr Fred Kogel from the stock appreciation rights are in legal clarification and have not yet been paid.

In the 2018 reporting period, a provision of EUR 240,000 was recorded for the former Management Board Member Mr Bernhard Burgener for possible outstanding salaries for the period after the termination of his Management Board activity until the end of the term of his employment contract from January to August 2016.

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. There are no compensation commitments to Members of the Management Board in the event of the 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 Supervisory Board Members for the 2018 financial year

Total remuneration of Management Board Members for the reporting year amounted to EUR 1,170,868 (prior year: EUR 1,373,723).

Mr Olaf G. Schröder received a special payment of EUR 41,667 in addition to his fixed remuneration on the occasion of his 25th company anniversary. In addition, a provision for a discretionary bonus of EUR 100,000 was recorded for him in the reporting year. For Dr Matthias Kirschenhofer, such a provision was recognized in the amount of EUR 175,000

Remuneration of the Management Board

Inflow 2018 in EUR

	Fixed remuneration	Fringe benefits	Variable remuneration	Other remuneration	**Total remuneration**
Olaf G. Schröder	500,000	15,914	75,000	41,667	**632,581**
Dr Matthias Kirschenhofer	330,000	8,287	50,000	0	**388,287**

Inflow 2017 in EUR

	Fixed remuneration	Fringe benefits	Variable remuneration	Other remuneration	**Total remuneration**
Olaf G. Schröder	500,000	15,914	0	0	**515,914**
Dr Matthias Kirschenhofer (since September 11, 2017)	100,833	2,762	0	0	**103,595**
Fred Kogel (until August 25, 2017)	495,833	0	0	0	**495,833**
Dr Peter Braunhofer (until September 11, 2017)	306,111	11,359	0	25,000	**342,470**

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 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 2018 financial year

Total remuneration of the Supervisory Board Members for the reporting year amounted to EUR 210,000 (prior year: EUR 216,178).

As in the previous year there are no pre-emption rights, share based payment and option rights entitling to purchase shares of Constantin Medien AG for the Members of the Supervisory Board.

Remuneration of the Supervisory Board

Inflow 2018 in EUR	Fixed remuneration	Multiyear variable remuneration	Other remuneration	**Total remuneration**
Dr Paul Graf (Chairman)	75,000	0	0	**75,000**
Thomas von Petersdorff-Campen (Deputy Chairman)	45,000	0	0	**45,000**
Andreas Benz	25,000	0	0	**25,000**
Edda Kraft	20,000	0	0	**20,000**
Dr Gero von Pelchrzim	20,000	0	0	**20,000**
Markus Prazeller	25,000	0	0	**25,000**

Inflow 2017 in EUR	Fixed remuneration	Multiyear variable remuneration	Other remuneration	**Total remuneration**
Dr Paul Graf (Chairman since August 24, 2017)	26,712	0	0	**26,712**
Thomas von Petersdorff-Campen (Deputy Chairman since August 24, 2017)	16,027	0	0	**16,027**
Andreas Benz (since August 24, 2017)	8,904	0	0	**8,904**
Edda Kraft (since August 24, 2017)	7,123	0	0	**7,123**
Dr Gero von Pelchrzim (since August 24, 2017)	7,123	0	0	**7,123**
Markus Prazeller (since August 24, 2017)	8,904	0	0	**8,904**
Dr Dieter Hahn (Chairman until August 23, 2017)	48,288	0	6,178	**54,466**
Andrea Laub (Deputy Chairman until August 23, 2017)	25,754	0	0	**25,754**
Stefan Collorio (until August 23, 2017)	19,315	0	0	**19,315**
Jean-Baptiste Felten (until August 23, 2017)	12,877	0	0	**12,877**
Jörn Arne Rees (until August 23, 2017)	12,877	0	0	**12,877**
Jan P. Weidner (until August 23, 2017)	16,096	0	0	**16,096**

For further information on the Management and Supervisory Boards reference is made to the chapter Boards (page 15), to the Declaration of Corporate Governance (page 20) as well as to the Notes to the Consolidated Financial Statements (page 96).

6. INFORMATION AND EXPLANATIONS PURSUANT TO SEC. 289a PARA. 1 AND SEC. 315a PARA. 1 HGB

– As of December 31, 2018, the subscribed capital of Constantin Medien AG was EUR 93,600,000, divided into 93,600,000 no-par-value stocks (Common Stocks).

– All stocks are common stocks that grant in particular the right to participate in the general meeting pursuant to sec. 118 para. 1 German Stock Corporations Act (Aktiengesetz) (Corporations Act), the information right pursuant to sec. 131 Corporations Act, voting rights pursuant to sec. 133 et seq. Corporations Act, the right to claim profits pursuant to sec. 58 para. 4 Corporations Act and the basic subscription right incapital increases pursuant to sec. 186 para. 1 Corporations Act.

– As of December 31, 2018, Constantin Medien AG holds 162 of its own stocks, which do not carry voting rights.

- In a framework agreement, Highlight Communications AG, Highlight Event and Entertainment AG, Bernhard Burgener, Rosmarie Burgener, Studhalter Investment AG and Alexander Studhalter agreed, subject to the condition precedent of the implementation of the takeover offer, to consult and agree regarding exercising the voting rights carried by all of their stocks in Constantin Medien AG owned currently or in the future before every general meeting (Voting Rights Agreement). Before this Voting Rights Agreement entered into effect, its effect in regard to Alexander Studhalter and the Studhalter Investment AG was cancelled for an indefinite time period. According to the knowledge of the Company, it is thus currently in effect only for Highlight Communications AG, Highlight Event and Entertainment AG, Bernhard Burgener and Rosmarie Burgener.

– According to the Company's knowledge, there is a stockholders' agreement between Bernhard Burgener, Rosmarie Burgener, Studhalter Investment AG and Alexander Studhalter regarding Highlight Communications AG, Highlight Event and Entertainment AG and Constantin Medien AG that is currently not in effect. The stipulations of the stockholders' agreement include that the parties will work toward the goal of achieving a majority on the Supervisory Board of Constantin Medien AG of Members suggested by Bernhard Burgener and Studhalter Investment AG. Before this stockholders' agreement entered into effect, its effect in regard to Alexander Studhalter and the Studhalter Investment AG was cancelled for an indefinite time period. As of the date of this annual report, the Company has no knowledge that this shareholders' agreement has entered into effect.

– Highlight Communications AG of Pratteln, Switzerland, has reported that, as of December 31, 2018, it holds 74,112,840 Common Stocks in Constantin Medien AG, which corresponds to a share in the capital stock of approximately 79.18 percent and the same majority of voting rights in relation to the number of outstanding stocks (after deduction of the stocks held by the Company).

– There are no stocks with special rights that confer powers of control.

– According to sec. 7 para. 1 of the articles of incorporation of Constantin Medien AG in connection with sec. 84 para. 1, first sentence, Corporations Act, the Supervisory Board appoints the Members of the Management Board for a term of a maximum of five years. Pursuant to sec. 4 para. 1 in connection with sec. 7 para. 1 of the articles of incorporation of Constantin Medien AG, it sets the number of Members of the Management Board, which must be at least two according to sec. 4 para. 1 of the articles of incorporation of Constantin Medien AG. Pursuant to sec. 7 para. 1 of the articles of incorporation of Constantin Medien AG, the Supervisory Board also has the right to designate a Chairman of the Management Board. Pursuant to sec. 84 para. 3, first sentence, Corporations Act, the Supervisory Board can revoke the appointment of a Member of the Management Board and the designation of the Chairman of the Management Board for cause. Pursuant to sec. 84 para. 3, second sentence Corporations Act, such cause is given in particular in the event of a gross breach of duty, inability to properly manage the Company or in the event of loss of the trust of the general meeting on grounds that are not obviously arbitrary.

– Pursuant to sec. 179 para. 1, first sentence, Corporations Act, every change to the articles of incorporation requires a resolution of the general meeting. Pursuant to sec. 179 para. 2 Corporations Act in connection with sec. 16 para. 2 of the articles of incorporation of Constantin Medien AG, to the extent legally permissible, to change the articles of incorporation, a simple majority of the stock capital represented during voting is required. Pursuant to sec. 179 para. 1, second sentence, Corporations Act in connection with sec. 7 para. 2 of the articles of incorporation of Constantin Medien AG the Supervisory Board is entitled to undertake changes to the articles of incorporation that only affect the version of the articles of incorporation.

– Pursuant to sec. 76 para. 1 Corporations Act, the Management Board manages Constantin Medien AG at its own responsibility.

- Pursuant to sec. 3 para. 7 of the articles of incorporation of Constantin Medien AG, the Management Board is authorized to increase the capital stock by a total of EUR 45,000,000 by June 10, 2020 by means of one or more issuances of new bearer Common Stocks in return for contributions in cash or in kind (Authorized Capital 2015) with the consent of the Supervisory Board. The stockholders are to be granted a subscription right in principal to such stocks. The Management Board is also authorized to rule out the subscription right under certain conditions that are stipulated in sec. 3 para. 7 of the articles of incorporation of Constantin Medien AG with the consent of the Supervisory Board.

- By means of a resolution adopted at the regular general meeting on July 30, 2014, Constantin Medien AG was authorized to acquire a calculative share of its own capital stock of up to EUR 9,360,000. The authorization went into effect at the end of the regular general meeting on July 30, 2014 and will remain in effect until July 30, 2019. The authorization can be exercised in part or as a whole, once or more than once. At no time is more than 10 percent of the capital stock to be represented by the acquired stocks together with other stocks of its own in the possession of the Company or to be attributed to it according to sec. 71a et seq. Corporations Act.

- According to a resolution of the regular general meeting on June 10, 2015, the capital stock of Constantin Medien AG is conditionally increased by up to EUR 45,000,000 by the issuance of up to 45,000,000 new bearer Common Stocks (Conditional Capital 2015). The conditional capital increase serves to grant stock rights to the bearers and/or creditors of financial instruments (convertible bonds and/or warrant-linked bonds and/or convertible participation rights and/or warrant-linked participation rights) which will be issued by Constantin Medien AG or by companies directly or indirectly holding a majority participation in the Company by June 10, 2020. According to the terms of the convertible bonds and/or the convertible participation rights, the Conditional Capital 2015 also serves to issue stocks to bearers and/or creditors of the convertible bonds and/or convertible participation rights that include conversion obligations. The Management Board is authorized to establish the further details of the implementation of the conditional capital increase.

- No compensation agreements with Members of the Management Board or with employees in case of a takeover offer for Constantin Medien AG exist.

7. RISKS AND OPPORTUNITIES REPORT

7.1 Risk and opportunity management system (RMS)

Entrepreneurial activity and the exploitation of opportunities are always associated with risks. To protect the going concern of the Constantin Medien Group as well as to support the achievement of corporate goals, an integrated, company-wide RMS was implemented. The Group risks and opportunities also apply (indirectly) to Constantin Medien AG.

7.2 Risk report

7.2.1 Risk management system

The RMS is defined in a guideline. The Constantin Medien Group applies the definition of German Accounting Standard No. 20 Group Management Report of the German Accounting Standards Committee (DRSC). This defines risks (opportunities) as „possible future developments or events that could lead to a negative (positive) forecast or target deviation for the Company". The RMS follows the principles of the overarching framework for „Company-wide Risk Management" as developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The following objectives are pursued:

- Creation of room for maneuver through early and systematic identification of opportunities and risks
- Increased speed of reaction through transparency and prompt information about opportunities and risks
- Assisting management in assessing the expected development of the Group and the principal opportunities and risks associated with it
- Reduction of potential liability risks
- Sensitization of employees to risk-conscious and self-responsible self-monitoring
- Securing of the long-term corporate strategy for the value appreciation of the Group

The Constantin Medien Group's risk and opportunity management comprises on the one hand the business activities assigned to the Sports division. These primarily include the activities of Sport1 GmbH, Sport1 Media GmbH, Magic Sports Media GmbH, PLAZAMEDIA GmbH, LEiTMOTiF Creators GmbH and, since August 27, 2018, Match IQ GmbH. On the other hand, the risk and opportunity management of the Constantin Medien Group comprises the holding activities of Constantin Medien AG including the Highlight Communications AG shares.

The RMS of the Constantin Medien Group encompasses both risks and opportunities. Operational responsibility for dealing with risks lies with the respective risk managers. These are mainly the Management Boards and committees or the managing directors, the management and the department heads of the individual subsidiaries. The factors underlying the risks and opportunities are recorded and evaluated on a quarterly basis and approved by the risk managers. At Group level, the reported factors are standardized and consolidated where necessary. There is an immediate reporting requirement for risks that could jeopardize the going concern of the company.

In the case of periodic reporting, the cause and effect of the factors as well as possible early warning indicators and measures planned or already taken are described. If a loss or measure can be reasonably quantified, this value is determined and indicated. If quantification is not reasonably possible, the possible loss is described verbally. In any case, it is classified into 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 magnitude of the probability of occurrence in conjunction with the extent of loss:

- **Small risks**
  Small risks are immaterial for the Company. No risk reduction measures need to be agreed upon.

- **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 enough 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 exposure should be reduced to the medium or 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 net risk results from the possible gross damage, the probability of occurrence and the effect of the measures. For a better classification, risks are divided into the following categories: regulatory risks, business and market risks, legal, operational, compliance and financial risks.

In particular, risks outside the Group‘s sphere of influence and risks arising from legal regulation (e.g. a legal restriction on the advertising of individual product groups) are often not actively manageable and avoidable. In addition, risks with a low or non-measurable probability of occurrence with a simultaneous potentially major impact 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 effects are described below. The presentation is grouped according to the risk categories of the RMS, but at a higher degree of aggregation. Within a category, the risks whose impact on earnings, assets and financial position is considered to be greatest are listed first. If no reference is made to the measures taken when classifying the risk, the risk is classified as gross risk. If a risk factor may jeopardize the going concern of a significant organizational unit, this is indicated below. The same applies if a risk endangers the continued existence of the Group.

7.2.3 Risks from regulation

The Constantin Medien Group‘s business models are heavily dependent on legislation, court rulings and regulatory interventions by the public sector. Regulatory interventions, changes in legislation or administrative procedures can have a negative impact on the cost or revenue structure. They could lead to customer restraint in booking the affected advertising times or restrictions on license purchases. Revenues from the sale of advertising time that have already been contracted or included in planning could be eliminated in the short term due to prohibitions or other restrictions. The following factors influence the value of this risk:

- The sale of advertising time to providers of products such as sports betting, online casinos, lotteries or poker schools is heavily regulated. Regulatory measures such as concessions, prohibitions or other restrictions could change the general economic conditions of the providers of these products, which could have an indirect effect on the planned revenues.
- In this connection, possible administrative proceedings against Group companies regarding the advertising of these products could also have a direct negative impact on revenue recognition and possibly lead to higher costs.
- Further regulatory risks arise from the possible entry into force of a future „New Media Code“ or „Convergent Regulation TV“ currently under discussion, e.g. through a new broadcasting (amendment) treaty of the German federal states, and thus a new regulatory model for linear and non-linear media services. In this context, the interests of Sport1 GmbH, in particular in the context of the distribution of SPORT1 TV programs and their traceability in the digital media world, could not be sufficiently taken into account.
- In addition, there may be a risk of a reduction in marketing revenues if a quantitative liberalization of advertising time is implemented in the Interstate Broadcasting Treaty based on the AVMD Directive. Within the framework of the Directive, it would be possible for the maximum advertising rate of 20 percent to be applied not only to one hour, but within a window of several hours. This could lead to channels with a high coverage, especially in prime time, broadcasting more advertising in one hour than previously possible under the 12-minute rule and saving this at other times. As a result, advertising volumes may not be reallocated within high-coverage channels, but at the expense of smaller channels such as SPORT1.
- Revenues from call in, value-added services or teletext are subject to strict regulation by the regulatory authorities. It cannot be ruled out that stricter regulations and/or legal restrictions may limit the realization of these planned revenues.
- The so-called ePrivacy Regulation, which among other things is intended to regulate the use of cookies and similar technologies, the permissibility of user profiles (tracking, profiling, retargeting) or measures for the use of personal data, is currently in the legislative process of the EU. Entry into force is expected at the end of 2019, binding validity after a transitional period for 2020/2021. According to this regulation, every Internet user must have an active declaration of consent for every device on every website before data can be collected and data-based advertising can be played out. If the user refuses his consent, no data-driven advertising can be displayed. Even a frequency cap that regulates the frequency with which advertising is displayed is no longer possible, as no cookies may be set. This has a significant impact on the way advertising campaigns can be played out in the future and could have a negative impact on revenues and earnings. In addition, substantial fines may be imposed in the event of a breach of the Regulation.

The Constantin Medien Group systematically pursues the relevant judgements and legislative proposals and endeavors to work towards a user-friendly and at the same time economically meaningful design of the respective provisions through its own media-political activities and the work of VAUNET – Association of Private Media. Internal guidelines, training courses and contractual obligations ensure that call-in formats are broadcast in accordance with the rules.

In view of the possible effects and the severe threat of fines for potential violations of individual regulations, this risk can be classified as substantial overall (previous year: substantial level).

7.2.4 Business and market risks

7.2.4.1 Access to licenses and exploitation rights

For the operation of its platforms, the Constantin Medien Group relies on attractive broadcasting rights to sports events and program formats. A re-licensing of exploitation rights for sports events or program formats may be accompanied by an increase in the planned license costs. The lack of availability of broadcasting rights for sports events, among other things due to greater competition such as OTT platforms or an increase in license costs in the future, could lead to a lack of attractive content for the Constantin Medien Group's TV stations or other platforms. This would be associated with lower market shares, lower advertising and/or sponsorship revenues as well as lower pay-TV revenues.

These risks are monitored by experienced employees in the rights and license acquisition department of Sport1 GmbH. On the one hand, rights are acquired on a long-term basis wherever possible in order to have a supply of broadcast content which reduces uncertainty in the planning period. On the other hand, the development of alternative formats and in-house productions is continuously expanded in order to create a certain independence from third-party rights.

Overall, this risk can still be classified as substantial.

7.2.4.2 Intense competition in product sales

The sales planning of the Group assumes certain market shares, coverage and subscriber numbers as well as revenues from the various exploitation platforms. Significant deviations from these target figures can have an impact on consolidated revenues. The following factors are noteworthy:

- There is considerable competition for the limited budgets of the advertising industry, which is confronted by a steadily increasing number of TV stations and other possible advertising platforms. Declining advertising investments and falling prices in the marketing of advertising time and advertising space could have a significant impact on the Group's revenues and earnings development.
- General economic fluctuations have a direct impact on the advertising market. This could lead to declining advertising budgets and spending for advertisers and thus to lower sales revenues for Sport1 GmbH.
- Revenue planning includes advertising income from sports betting and erotic telephone offers. Changes in these markets, such as increasing fragmentation of providers, could jeopardize planning.
- The changes or adjustments to the weighting model in the TV panel of AGF Videoforschung GmbH could lead to an unplanned loss of market share for the free-TV channel SPORT1 and, as a result, possibly lead to falling revenues in the marketing of advertising time and advertising space.

Since coverages, market share and subscriber numbers in particular are decisive for the amount of advertising revenues and revenues that can be generated, the Constantin Medien Group endeavors to expand its market share for its TV stations and other platforms by means of target-group-specific, coveted program content, thereby increasing its competitive strength as well as increasing its awareness and image through expenses for the marketing and promotion of products.

Overall, this risk continues to be classified as substantial.

7.2.4.3 Relations with customers, suppliers and business partners

Like any other company, the Constantin Medien Group is dependent on good relationships with its customers, suppliers and business partners. The media industry brings with it specific requirements. Should contracts with major customers, suppliers or business partners expire, not be extended and/or be terminated during the term, this could have a material adverse effect on sales and earnings in subsequent periods. The following factors are significant here:

- The market for TV advertising times is characterized by concentrated structures on both the demand and the supply side. At the demand level, there are essentially seven large associations of media agencies, which in turn are usually made up of many smaller agencies. On the supply side, these are primarily opposed by the two private-law channel groups RTL and ProSiebenSat.1 as well as the public broadcasters and independent marketing companies, which also include Sport1 Media GmbH and Magic Sports Media GmbH, which market the platforms and offers of SPORT1. Should advertising budgets decline, the price level of advertising time marketing fall or customers fail, this could have significant consequences for the Company's revenue and earnings development. A further increase in the intensity of competition in the German advertising market can currently be observed.

- There are long-term connections with technical service providers that are necessary for smooth broadcasting operations. Early termination or non-renewal of individual supplier contracts could lead to higher costs due to the search for new partners and the establishment of new structures.
- Sport1 GmbH maintains significant cross-media media cooperations with various automobile manufacturers. Due to the introduction of new automobile fuel emission standards and the associated sales difficulties, the advertising investments of the automotive industry and neighboring industries could decline in the future or lead to falling prices in the marketing of advertising time and advertising space. This could have a significant impact on sales and earnings.

Maintaining relationships with customers, suppliers and business partners is an essential management task. The conclusion of and compliance with contractual agreements as well as the quality of deliveries and services are regularly reviewed. The competitive environment and the advertising revenues and market shares of the Constantin Medien Group are regularly identified and analyzed in order to identify potential losses at an early stage. By comparing actual and budgeted figures with the corresponding prior-year figures, budget variances can be quickly identified and countermeasures such as cost adjustments or changes in program planning and pricing policy can be implemented even at short notice.

Overall, the risk of dependence on individual contractual partners continues to be classified as significant.

7.2.4.4 Coverage of the individual platforms

For every broadcaster and every media platform, it is crucial to have as high a coverage as possible. The greater the coverage, the more consumers and target group-relevant advertising contacts can be generated. The following factors have a significant influence on this risk:

- Contracts have been concluded with the cable network, satellite and platform operators of major importance in Germany to secure the digital distribution of the channels operated by Sport1 GmbH in the medium term. However, contractual termination rights or changing regulatory requirements as well as the competitive behavior of competitors in other distribution channels could have a negative impact on the cable distribution of SPORT1 and the fundamental distribution of pay-TV channels.
- Analog cable distribution will be gradually discontinued in Germany. By mid-2019, the relevant cable network operators will not broadcast analogue television channels, but only digital channels. The allocation of capacities by media broadcasters in digital cable is currently not carried out for private broadcasters.
- Due to the purely digital distribution in the future, the free-TV channel SPORT1 is no longer just one of 30 analogue channels but is now among several hundred digital channels. Therefore, the visibility of the channel will become essential for the broadcaster.

In the short term, a drastic reduction in coverage could mean that existing contracts with the advertising industry cannot be fulfilled. A sustainable reduction of the technical coverage could lower the price per advertising minute or per target group contact and thus jeopardize the realization of the planned revenues. Planned revenues could also not be realized in the pay-TV area.

The Constantin Medien Group‘s strategy is to maintain or expand its coverage as far as possible through long-term contracts with cable network, satellite and platform operators based in the broadcasting region. On the other hand, the media policy actively pursues the goal of ensuring that channels such as SPORT1 have access to and can be found without discrimination and, above all, with equal opportunities to other providers, in particular the large channel groups. In addition, the Group attaches great importance to promising programming, which is an important decision-making criterion in the allocation of cable slots and, in particular, in finding them in the digital environment.

Overall, this risk can still be classified as substantial.

7.2.4.5 Consumer preferences

The change in usage behavior and the technical possibilities in dealing with media could lead to consumers using the Constantin Medien Group‘s product portfolio less than planned, with the result that it could lose its attractiveness, coverage or relevance and, accordingly, the planned revenues could no longer be achieved. The following factors are particularly relevant:

- Advertising on mobile devices and computers can be blocked by appropriate software, so-called „ad blockers“. New technologies could also make it possible to channel advertising on Internet provider servers. This could jeopardize the realization of planned revenues from advertising on mobile devices and computers.
- The decline in TV usage among the young target group (especially among 14- to 29-year-old men) is accompanied by an increase in the use of streaming services. This could lead to a decline in market share in this target group and have a significant impact on the development of revenues and earnings.

Through targeted market research and usage analyses, the Constantin Medien Group tries to anticipate future trends regarding content as well as technological developments. This is also reflected in the intensive digitization activities. In the sports division, the development of consumer-friendly programs increases the attractiveness of the products. In addition, from 2018 Sport1 GmbH has committed itself to the new core target group of 14- to 59-year-old men (M14-59).

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

7.2.5 Legal risks

7.2.5.1 The Constantin Medien Group is subject to risks from legal disputes

As an internationally active company, the Constantin Medien Group is exposed to a variety of legal risks. These include in particular risks in the areas of corporate law, securities trading law, copyright law as well as betting and gambling law. The results of currently pending or future proceedings can often not be predicted with certainty so that, among other things, court or official decisions may result in expenses that are not covered or not fully covered by insurance benefits and could have an adverse effect.

As part of the legal support for operating activities, legal risks are identified and assessed qualitatively and quantitatively regarding their probability of occurrence and potential impact. The following facts and procedures represent significant risk factors.

7.2.5.2 Actions for rescission against resolutions of the Annual General Meeting of November 9/10, 2016

Shareholders of Constantin Medien AG have filed a lawsuit against various resolutions of the Annual General Meeting of November 9/10, 2016. Initially, among others, the resolutions concerning agenda items 4 to 7 as well as 10 and 11 were affected, but meanwhile all plaintiffs have declared the actions to be settled under agenda items 4 and 5 as well as the resolution concerning the election of the chairman of the meeting and individual plaintiffs under agenda item 7, without the Company having objected to this. One reason for the actions for rescission was that shareholders who had reported a shareholding of just under 30 percent of the share capital and formed a voting right pool were excluded from voting by the chairman of the meeting.

The effect of a successful rescission action is that the relevant resolutions against which the actions are directed could be invalid. Because of the measures taken, the latest developments and the assessment of the Management Board, this risk is classified as small (previous year: medium level).

7.2.5.3 Action for rescission against resolutions of the Annual General Meeting of August 23, 2017

A shareholder of Constantin Medien AG has filed a rescissory action against various resolutions of the Annual General Meeting of August 23, 2017. The resolutions of agenda items 5, 12 to 13 and 15 to 16 are affected by this. The main reasons for the action for rescission are allegations of an erroneous invitation, denial of the right to speak and participate and violations of the duty to inform. On March 14, 2019, the Munich I Regional Court issued a final judgment dismissing the action. Thus, there remains the risk that the opposing party will lodge an appeal. The effect of a successful action for rescission (also in the appeal instance) is that the corresponding resolutions against which the action is directed could be invalid.

Because of the ruling issued and the assessment of the Management Board, this risk is classified as small (previous year: medium level).

7.2.5.4 Action for rescission against resolutions of the Annual General Meeting of May 8, 2018

A shareholder of Constantin Medien AG has filed an action for rescission and information against various resolutions of the Annual General Meeting of May 8, 2018. The resolutions of agenda items 3, 4, 8, 10 and 11 are affected by this. The main reasons for the action for rescission are allegations that business documents were not displayed, that the right to speak and participate was denied and that the duty to provide information was violated. Depending on the outcome of the actions for rescission regarding the 2017 Annual General Meeting, however, individual contested resolutions (confirmation of the election of the Members of the Supervisory Board) of the Annual General Meeting of May 8, 2018 will gain or lose relevance. The effect of a successful rescission action is that the corresponding resolutions against which the action is directed could be invalid.

Based on the measures taken and the Management Board's assessment, this risk is classified as medium.

7.2.5.5 Contractual penalties and liability for damages

In the Sports division, the Constantin Medien Group has an obligation towards various customers and business partners to ensure broadcasting continuity and the prompt delivery of program content. Non-compliance with these obligations may result in contractual penalties or claims for damages, which could have an adverse effect on the consolidated result.

Through technical measures, further developments and redundancies as well as regular monitoring of project progress, possible qualitative and temporal deviations are promptly identified, and their impact minimized. These are supported by the many years of experience of the employees and established processes in the individual organizations. In addition, certain risks are insured in a cost-benefit analysis. Where possible, suppliers are involved in this risk.

A further risk relating to liability for damages arises from the fact that PLAZAMEDIA GmbH has made considerable structural changes to and in rental buildings, such as massive speaker cabins, raised floors, refrigeration and air-conditioning installations. There is a risk that unplanned dismantling obligations may arise.

Considering the mainly technical countermeasures taken, the overall risk can be classified as a medium level (previous year: small level).

7.2.6 Operating risks
7.2.6.1 IT-Infrastructure

In order to ensure smooth business operations, the Constantin Medien Group relies on the trouble-free functioning of its IT systems. It cannot be ruled out that despite security measures such as access control systems, emergency plans and uninterruptible power supply for critical systems, backup systems as well as regular data mirroring, there will be insufficient protection against damage resulting from the failure of its IT systems.

– A large part of programme distribution and broadcasting is also dependent on a smoothly functioning technical infrastructure. A technical malfunction could interrupt broadcasting operations.
– If IT systems should fail, corporate data should be stolen or corporate IT should be manipulated, this could have a negative impact on business operations and thus on the result.
– Deferred investments in technology and infrastructure entail the risk of obsolescence of technology and systems that are no longer fully functional. This could have a negative impact on business operations and thus on earnings.

The risks of unauthorized access to company data are largely eliminated using virus scanner and firewall systems. In addition, measures are taken within the Group to keep the existing IT service landscape up to date and to counteract the ageing process of equipment and program technology. Broadcaster-relevant technology is often redundant, and its functionality is monitored promptly.

After the successful commissioning of the broadcasting center, the risk mentioned in the previous year has been eliminated.

Considering the effects of the countermeasures, the risk continues to be classified at a medium level.

7.2.6.2 Qualified personnel

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

Attractiveness as an employer is one of the decisive success factors for the Group in attracting and, above all, retaining qualified and motivated personnel. The migration of qualified personnel or people in key positions could lead to a loss of know-how and generate unplanned costs for the recruitment and induction of new personnel, which could have a negative impact on earnings.

In order to minimize this risk, regular target achievement and feedback meetings are held with employees. In addition, the Constantin Medien Group offers a modern working environment, performance-related compensation and targeted opportunities for professional and personal development. In order to further increase its attractiveness as an employer in the applicant market, investments were made in social networks and career sites.

Overall, this risk remains at a low level.

7.2.6.3 Insurance cover

The Constantin Medien Group decides on the type and scope of insurance cover based on a commercial cost-benefit analysis in order to cover the main risks. However, the Constantin Medien Group cannot guarantee that it will not incur any losses or that no claims will be asserted that exceed the scope of the existing insurance coverage.

Should the Constantin Medien Group suffer material damage against which no or only inadequate insurance coverage exists, this could have a negative impact on earnings. In the event of damage, third-party claims or replacement investments would have to be financed from the Group‘s own funds. In order to minimize this risk, the Group regularly reviews its existing insurance policies and compares them with possible current adjustment requirements.

Overall, this risk remains at a small level.

7.2.7 Compliance risks

Compliance is an integral part of Constantin Median's corporate culture and is a matter of course in daily business. Nevertheless, the management has no possibility to fully monitor the activities of employees, representatives and partners in initiating business with customers. Should it turn out that persons whose actions are attributable to the Constantin Medien Group receive or grant unfair advantages in connection with the initiation of business or apply other corrupt business practices, this could lead to legal sanctions under German law as well as under the law of other countries in which the Constantin Medien Group operates. Possible sanctions could include substantial fines, but also the loss of orders. This could have a negative impact on earnings and lead to damage to the reputation of the Constantin Medien Group.

On May 25, 2018, the Data Protection Basic Regulation (DSGVO) of the European Union and a related German supplementary law (Datenschutz-Anpassungs- und -Umsetzungsgesetz, DSAnpUG) came into force in Germany. The DSGVO is also supplemented by the EU ePrivacy Regulation (see chapter 7.2.3), which is still being coordinated. The DSGVO extends the already known obligations for companies and increases the legal, operational and technical-organizational requirements for data protection. For the particularly serious infringements listed in the Act under Art. 83 Para. 5 DSGVO, the fine framework amounts to up to EUR 20 million or, in the case of a company, up to 4 percent of the total annual revenue achieved worldwide in the previous financial year, whichever is the higher. But the catalogue of less serious infringements (Art. 83 para. 4) also lists fines of up to EUR 10 million or, in the case of a company, up to 2 percent of its total worldwide annual revenue in the previous financial year, whichever is the higher. Non-DSVGO compliant processes may also be discontinued. As a measure, the Constantin Medien Group has analyzed its processes and, where necessary, adjusted them. In addition, an external data protection officer supports compliance with data protection regulations.

Despite the initiated measures, compliance risks are possible, which could have a negative impact on the earnings, asset and financial position due to the stricter sanctions.

For this reason, the current assessment of the general compliance risk continues to classify it as a medium risk.

7.2.8 Financial risks

The Group is exposed to various financial risks arising from its operating and financing activities. Financial risks can be broken down into the categories of liquidity risks, credit risks and market risks (including currency risks, interest rate risks and valuation or price risks). Risks associated with financing are described in detail in the notes to the consolidated financial statements in the note financial risk management (see note 8). Where appropriate, currency and interest rate risks are hedged in the Group by means of appropriate hedging transactions.

7.2.8.1 Liquidity risks

Liquidity risks arise when the Group's payment obligations cannot be covered by existing liquidity or by corresponding credit lines. The specific liquidity risks mentioned in the previous year have been resolved as follows:

Constantin Medien AG sold 2 million shares of Highlight Communications AG off-the-counter on April 19, 2018. The purchase price per share was set at EUR 5.20 and was within the valuation range of a valuation opinion prepared by a renowned corporate finance consulting firm. The proceeds and cash inflow amounted to EUR 10.4 million. Constantin Medien AG thus secured the company's current financing and closed the liquidity risks mentioned in the 2017 annual report.

After the sale, the company still holds a further 6,182,518 shares in Highlight Communications AG, is debt-free after repayment of the corporate bond and has enough free liquidity reserves in the future.

As of the balance sheet date, the Constantin Medien Group had liquidity reserves according to current planning and considering free credit lines. Nevertheless, it cannot be ruled out that existing guarantee or credit line agreements may be terminated or no longer extended by individual banks, with the result that the Constantin Medien Group could be forced in the short to medium term to raise further debt through the capital market or banks to finance new projects, even taking into account free working capital lines. Therefore, there is a risk that in the event of a deterioration of the economic situation of the Group, further financing funds may not be available or may not be available to a sufficient extent or only at more unfavorable conditions. Should the Constantin Medien Group fail to service the respective drawn credit lines on time or not repay them after termination, there would be a risk that the respective lender would realize the assets of the Constantin Medien Group transferred as collateral, which would have a material negative effect on earnings.

Overall, the liquidity risk is now classified at the medium level (previously a risk threatening the going concern of the Company within the meaning of § 322 (2) sentence 3 HGB in accordance with the auditor‘s report for the 2017 annual financial statements issued by the independent auditor).

7.2.8.2 Currency risks

Currency risks exist primarily against the US dollar and the Swiss franc. In significant transactions, the Group endeavors to reduce the currency risk using appropriate derivative financial instruments. However, it cannot be completely ruled out that the Group‘s currency hedging measures may not be enough and that fluctuations in exchange rates may have a negative impact on earnings.

Overall, this risk remains at a medium level.

7.2.8.3 Credit risks

A credit risk exists if a debtor is unable to settle a receivable or is unable to do so in due time. The credit risk includes both the direct counterparty default risk and the risk of a deterioration in creditworthiness.

Potential default risks on customer receivables are continuously considered by regular valuation and, if necessary, by the recording of impairments. The Group also hedges the risk of default due to the insolvency of a debtor by obtaining creditworthiness information. For this reason, the Group currently assesses the credit quality of receivables that are neither past due nor impaired as predominantly good. The default of receivables from customers could nevertheless have a negative impact on earnings and liquidity.

Considering the measures taken, this risk can still be classified as small.

7.2.8.4 Interest rate risks

The interest rate risk lies primarily in the area of financial liabilities and credit lines. In addition, the incongruence of maturities gives rise to an interest rate risk. Risks from changes in interest rates for financial liabilities can have a negative impact on earnings. The Constantin Medien Group currently has variable interest operating credit lines.

Overall, this risk continues to be classified at a small level.

7.2.8.5 Risks arising from the measurement of financial and non-financial assets

The Constantin Medien Group holds significant financial and non-financial assets as of the balance sheet date, such as other intangible assets and goodwill as well as other non-current financial assets. For these assets of the Constantin Medien Group, impairment tests are performed annually and, if there are indications of impairment, during the year.

Where no market value is available, the calculation of the valuation approach includes management estimates and assumptions based on premises. These are based on currently available knowledge. The actual development, which often lies outside the Company‘s sphere of influence, may differ from the assumptions made and require an adjustment of the carrying amounts. This can have a negative impact on earnings.

The investment in Highlight Communications AG is recognized as other financial asset at market price. Fluctuations in fair value due to changes in the stock market price are recognized directly in other comprehensive income. This can lead to strong fluctuations in equity or the equity ratio.

7.2.8.6 Risks from future tax or social security audits

The Management Board of Constantin Medien AG is of the opinion that the tax returns and information prepared within the Group have been submitted to the social security institutions completely and correctly. Nevertheless, there is a risk that additional tax claims could arise, in particular due to the complex regulations existing in the media industry regarding sales and withholding taxes. In the event of a social security audit within the Constantin Medien Group, it cannot be ruled out that the social insurance carrier will take a different view regarding social security contributions and that subsequent claims will be made against the Constantin Medien Group. Should there be differing tax assessments or additional social insurance claims, this could have a negative effect on the result.

Constantin Medien AG is currently undergoing a special sales tax audit with respect to a pre-tax refund claim from 2017 in the amount of EUR 1.7 million. In this context, a situation from 2014 will also be examined in the context of the ongoing tax audit in the amount of EUR 0.8 million. Should this risk occur, this would result in an unscheduled outflow of cash and cash equivalents and additional operating expenses totaling EUR 2.5 million before interest.

Overall, this risk can be classified as a significant risk (previous year: medium risk). The classification as significant is based on the amount. The probability of this risk occurring is assessed as possible.

7.2.9 Risks in connection with the takeover offer by Studhalter Investment AG and Highlight Communications AG

The risks mentioned in the previous year about the takeover offer of Studhalter Investment AG and Highlight Communications AG were resolved in the course of financial year 2018 and therefore no longer exist.

7.3 Opportunities report

7.3.1 Opportunity management system

In analogy to risk management, the Constantin Medien Group pursues the goal of implementing its strategic and operational goals quickly and efficiently through concrete activities by means of opportunity management. Opportunities can arise in all areas. Their identification and targeted exploitation are a management task that flows into everyday decisions.

In order to better structure and illustrate the opportunities portfolio, the existing risk management system was supplemented by the recording and evaluation of opportunities. The corresponding guidelines and procedures apply analogously.

In accordance with the definition of risk, the Constantin Medien Group concretizes an opportunity as a possible future development or an event that could lead to a positive forecast or target deviation for the Company. This means that events that have already been included in the budget or medium-term planning do not represent an opportunity according to this definition and are therefore not reported in the following. Analogous to the risks, opportunities are classified in the four categories as “small”, “medium”, “substantial” and “major”.

The following levels of opportunity result from the probability of occurrence in connection with the extent of the forecast deviation:

- **Small opportunities**
  The positive deviation from the forecast achieved by small opportunities is insignificant. The company’s strategic focus does not take minor opportunities into account separately.

- **Medium opportunities**
  Medium opportunities have a limited positive effect when achieved and a medium probability of occurrence. They do not trigger an immediate need to adapt the company‘s strategic focus.

- **Substantial opportunities**
  Compared to medium opportunities, substantial opportunities are more likely to result in a need to make a positive adjustment to the forecast and/or have a high probability of occurrence. They should be realized using suitable measures or process optimizations.

- **Major opportunities**
  Major opportunities can play a significant role in defining the objectives of the individual segments. Measures to achieve these objectives must be initiated. Management monitors the implementation of these measures. Major opportunities are reported directly to the Management Board.

7.3.2 Information on individual opportunities

Individual opportunities and their factors as well as their effects are described below. The presentation is grouped according to the opportunity categories of the RMS. The presentation in the opportunities report is more aggregated than in the risk and opportunities management system itself.

7.3.3 Opportunities from regulation

7.3.3.1 Opportunities from a possible further deregulation of sports betting and other types of gambling

The Constantin Medien Group positions itself as a 360° sports platform with a cross-media content and marketing strategy for high-quality sport-related content. This strategy includes to a large extent the development and realization of innovative, digital business models. The official regulation of digital industries has not yet been completed, which may result in the restrictions described in the risk report. At the same time, however, opportunities also arise. For example, the granting of concessions/licenses to private sports betting operators provided for in the current State Treaty on Gaming, which has still not taken place, could lead to additional advertising volumes in the sports betting sector. In addition, nationwide deregulation of the organization and advertising of other types of gambling (including poker and casino) has not yet taken place.

In addition, the official granting of licenses to private sports betting operators and full-time deregulation in the field of gaming could have a positive effect on Group revenues by opening new advertising customer groups.

However, these opportunities continue to be classified as small.

7.3.3.2 Opportunities from a possible new media order

New sales opportunities in the context of advertising marketing could also arise as a result of the entry into force of the currently discussed future „New Media Regulations“ or „Convergent TV Regulation“. Within this framework, a new Interstate Broadcasting Treaty - and thus a new regulatory model for linear and non-linear media services - would have the potential to trigger deregulation, particularly in the area of broadcasting advertising law.

Overall, however, this opportunity is classified as small.

7.3.4 Business and market opportunities

7.3.4.1 Opportunities in access to licenses and exploitation rights

The Constantin Medien Group‘s business model is primarily based on the cross-media presentation of exciting sports content. The ability to identify trend sports at an early stage and to secure the rights to corresponding key competitions is therefore a key success factor for the Group. For this purpose, the respective departments review more than 100 offers of exploitation rights per year, which they evaluate based on program and economic parameters. The opportunities that may arise from the forecasted potential of trend sports and the early use of corresponding exploitation rights for the Group‘s sales are classified as substantial.

The market for exploitation rights to relevant sporting events or program formats is extremely competitive and is characterized by the emergence of ever new participants applying for the respective rights. The management therefore constantly weighs the economic benefits of acquiring the relevant rights directly for the respective media platform within the framework of target group-oriented, versatile content design. The Group‘s existing production technology infrastructure and editorial expertise will expand the scope for action. This broad positioning, which covers the entire value chain from consulting through production to content distribution, enables the company to participate in coveted sporting events as a cooperation partner of other media companies.

Corresponding opportunities are constantly examined and can be classified as medium to substantial.

7.3.4.2 Opportunities in the digital transformation of society

As digitalization progresses, consumers‘ media usage behavior is also changing. For this reason, the Constantin Medien Group‘s strategy includes identifying corresponding trends and deriving promising business models from them. The following factors are decisive for the management:

– The expansion and development of existing and new mobile services in the sports and entertainment sector with the aim of benefiting as widely as possible from the increasing use of mobile devices. In view of the very high coverage on all mobile devices, there is the possibility of increasing revenues through new responsive marketing products and cooperation with newly emerging platforms.
– Another clear trend in consumer media usage behavior is the sharp rise in the use of video content on all digital platforms. In order to benefit from this development, the Group is significantly expanding its digital video infrastructure on a data-based basis in order to increase the number of available contents, shorten editorial processing times or enable individual user recommendations for additional video content.
– The interests and needs of the Constantin Medien Group‘s customers and partners are also influenced by the digital transformation. The company is responding to this by constantly adapting its technical infrastructure. This includes, for example, the provision of standardized interfaces that enable external partners to create new offers and products based on existing content and sports data. This also includes the continuous expansion of the coverage of social media platforms and search engines. These activities are important both for the supply of users to their own platforms and for the provision for advertising marketing.

The opportunity reported last year in the eSports area has now been successfully implemented and fully considered in the planning. This means that there is no chance of having an additional positive impact on the results.

Overall, these opportunities are classified as medium.

7.3.5 Operational opportunities

7.3.5.1 Opportunities in the maintenance and care of a pronounced network

The high popularity and market share strength of individual broadcast formats of the Constantin Medien Group depend not least on the management‘s ability to engage attractive testimonials. In this context, the image of the Group‘s individual brands as well as the maintenance and upkeep of a well-developed network play an important role. In addition, the company‘s ability to promote the image of individual athletes through targeted reporting, which then become testimonials, plays an important role. The increasing popularity of individual players represents a medium opportunity to expand coverage and market share, which can be reflected in additional revenues.

7.4 Summary of the risks and opportunities situation

In accordance with a guideline issued by the Board of Managing Directors, the risk and opportunity factors reported by the individual risk managers are summarized, aggregated and assessed overall at Group level. Responsibility for the complete and correct recording, evaluation and reporting of opportunities and risks lies with the persons responsible for the company concerned. The Management Board is responsible for the overall presentation of opportunities and risks.

Based on the available information and the assessments, in particular the probability of occurrence, the maximum amount of damage and the effect of the countermeasures taken, the Management Board of Constantin Medien AG is convinced that the risks presented do not pose a threat to the going concern of the Group. This applies to the risks in detail as well as to their totality, provided that the impact of the totality can be sensibly simulated or otherwise estimated. The Management Board believes that the Group is currently well equipped to deal with the residual risks that have not been reduced by countermeasures. However, it cannot be ruled out that the risk situation of Constantin Medien AG could deteriorate significantly if various risks materialize or occur cumulatively.

In summary, three risk clusters can be identified: The first category includes externally driven risks that result from regulatory interventions and legal requirements and are difficult to influence. These issues are closely monitored in order to identify unfavorable developments promptly. By their very nature, the impact of these issues is not short-term, so it is possible to react by adjusting the planning process. The second category includes issues that the Management Board consciously accepts for reasons of implementing the business strategy. These include in particular the risks arising from access to licensing rights as well as sales, taste and consumer risks. The Management Board is convinced that the effects of these risks are manageable in relation to the earnings opportunities arising from the affected business segments. By monitoring key figures, it is possible to determine whether this ratio is deteriorating sustainably in individual areas. This can be responded to by adjusting the strategy. The last group comprises operating risks and in particular operating risks, security concepts and contractual or financial obligations as well as securing liquidity and legal risks. The Management Board manages these risks and opportunities through close monitoring of risks and opportunities, through guidelines and process controls as well as through the involvement 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 digital offerings and in the opportunities that a reshaping of the media world can bring with it. Further opportunities arise from the establishment of new partnerships and new business segments.

The Group companies are all established in their respective areas, have access to a broad network of technical and creative energy and can 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 Group‘s risk-bearing capacity to be enough. At the same time, it consistently pursues the existing opportunities.

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

Regarding the financial statements, the accounting-related internal control system (ICS) of the Constantin Medien Group comprises those measures that ensure the complete, correct and timely transmission of relevant information necessary for the preparation of the annual and consolidated financial statements as well as the combined Group management and management report. This is intended to minimize risks of misstatement in the accounting records and external reporting. Analogous to the RMS, the ICS also follows the principles of the overarching framework for company-wide risk management as developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Accounting within the Constantin Medien Group is organized on a decentralized basis. Constantin Medien AG supports its direct subsidiaries with specific accounting-related topics. The separate financial statements of Constantin Medien AG and its subsidiaries are prepared in accordance with the individual national regulations. For the requirements for the preparation of consolidated financial statements in accordance with IFRS, reconciliations are prepared for all companies included in the Group and reported to Group Accounting. The accounting regulations in the Constantin Medien Group regulate uniform accounting and valuation methods and define a uniform Group-wide chart of accounts in accordance with the IFRS regulations applicable to the direct parent company. Laws, accounting standards and other pronouncements are continuously analyzed as to whether and to what extent they are relevant and how they affect the accounting. Relevant requirements are, for example, written and announced in the Group accounting guideline and, together with the Group-wide financial statement calendar, form the basis for the financial statement preparation process. In addition, supplementary procedural instructions, standardized reporting forms, IT systems and IT-supported reporting and consolidation processes support the process of uniform and proper Group accounting. If necessary, external service providers are also deployed. The qualifications of the employees involved in the accounting process are ensured by suitable selection processes and regular training measures.

At Group level, the specific control activities to ensure the correctness and reliability of Group accounting include the analysis and, if necessary, correction of the individual financial statements submitted by the Group companies. Further measures include the clear delimitation of responsibilities and process-integrated controls, such as the application of the four-eyes principle.

The propriety and effectiveness of the internal monitoring system is ensured annually by process-independent auditing activities of the internal audit department and reported regularly to the Management Board and the Supervisory Board.

7.6 Risks and opportunities of Constantin Medien AG

The separate financial statements of Constantin Medien AG are essentially influenced by the risks and opportunities of the subsidiaries, as Constantin Medien AG is directly involved as the financing holding and controlling company. Accordingly, the above-mentioned risks and opportunities also apply to Constantin Medien AG. These risks and opportunities may manifest themselves at different times at Constantin Medien AG than at its operating subsidiaries.

The liquidity risks at Constantin Medien AG mentioned in the previous year have been reduced to the medium level, as already reported for the Group risks (see chapter 7.2.8.1). The use of the designation „Constantin Medien AG“ was the subject of a lawsuit brought by Constantin Film Produktion GmbH before the Munich I Regional Court. As a result, there was a risk of an extraordinary impairment of the residual book value of the capitalized right of use of the „Constantin“ brand in the separate 2017 financial statements of Constantin Medien AG. Due to the withdrawal of the action by Constantin Film Produktion GmbH, this risk no longer exists. The continued use of the Constantin Medien AG name is therefore no longer at risk.

The Company has no influence on the composition of its shareholder base. There is a risk that the behavior, quality or reputation of significant direct or indirect shareholders of the Company could have a negative impact on the Company‘s business relationships with third parties. In exceptional circumstances, sanctions could be imposed on the Company due to the participation of direct and indirect shareholders. It is becoming apparent that business partners of the company, in particular lenders, are increasingly incorporating the composition of the direct and indirect circle of shareholders into their decisions in addition to assessing operating activities. This could lead to further difficulties in the provision of financing in the future if necessary. However, the conduct, characteristics or reputation of significant direct and indirect shareholders of the Company could also affect the conclusion or termination of contracts with other business partners. Although there are no indications to this effect, serious allegations or speculation against or about significant direct or indirect shareholders of the Company that could damage the Company‘s reputation could have a material adverse effect on the Company‘s earnings, financial position and cash flows.

8. OUTLOOK

8.1 Economic environment

The driving force of global economic development has stalled slightly: After high growth rates in 2017 and 2018, the International Monetary Fund (IMF) at the start of the year lowered its forecast for global GDP growth for 2019 and 2020 by 0.2 and 0.1 percentage points to 3.5 and 3.6 percent respectively. This is the second adjustment after the IMF made a downward adjustment of the outlook in October due to the negative effects of the trade disputes between the USA and China. The further downward revision partly reflects the transfer of the weaker momentum to the second half of the 2018. The significant negative factors include the introduction of new automobile emissions standards in Germany, the domestic demand in Italy burdened by concerns about financial risks as well as the generally weaker atmosphere on the financial markets and a worse than expected economic slowdown in Turkey. The IMF believes a further slowdown is likely. A series of triggers could cause further deterioration in the atmosphere for risk with adverse effects on growth, particularly in view of high public and private debt. These potential triggers include a “No Deal” exit of the United Kingdom from the European Union and an even stronger slowdown in economic growth in China.

The ambitious Asian countries are expected to grow in 2019 by an estimated 6.3 percent, thereby still showing the highest growth rate despite a slight decrease. For the economy in the USA a growth of 2.5 percent is expected, albeit with a strongly declining trend. This is, however, inordinately high growth which is expected to be accompanied by a high domestic demand and therefore increasing imports. For Russia a minimal weakening to a growth rate of 1.6 percent is expected for 2019. The reason for this is the short-term weaker outlook for the oil price.

The eurozone continues its declining trend in 2019 in line with the IMF forecast after its expansionary course reached its preliminary peak in 2017. Economic growth in the eurozone will be at around 1.6. percent in 2019. For Germany, the IMF experts anticipate an increase of 1.3 percent, 0.2 percentage points below that of the previous year.

The Kiel Institute for the World Economy (IfW), however, with a growth rate in German GDP of 1.8 percent expects an improvement for 2019 compared to 2018. The German economy may indeed have achieved now the late stage of its sustained upswing over five years. The experts attribute the sharp decline in 2018, however, to one-off effects from the implementation of the Worldwide Harmonized Light-Duty Vehicles Test Procedure (WLTP implementation), which allowed vehicle construction to stagnate, and the low water levels in important rivers which seriously effected the transportation capacity of domestic shipping. These detrimental factors will cease to apply in 2019. This is accompanied by the positive assessment by the Gesellschaft für Konsumforschung (GfK), Association for Consumer Research, which on the basis of a good start to the year predicts an increase in private consumption in Germany by 1.5 percent for 2019.

Sources: International Monetary Fund (IMF), World Economic Outlook, January 2019; Kiel Institute for the World Economy (IfW), IfW Economic Forecast: Recovery after the summer slump, but upswing is up against limiting factors, Media information of December 12, 2018; Gesellschaft für Konsumforschung (GfK); Konsumklima im Aufwind, Press release of January 30, 2019.

8.2 Market environment of media and entertainment in Germany

For 2019 the auditing firm PwC anticipates growth in the media industry of 1.6 percent to EUR 62.8 billion. The experts are expecting an average annual growth rate of 1.8 percent until 2022. The market volume would thereby increase in five years to EUR 66.2 billion.

Drivers of this development are mainly digital offerings such as virtual reality, eSports, gaming and internet video, for which the PwC experts expect an average annual growth of 7.8 percent up to 2022. This means these offerings are likely to make up nearly one third of the total revenue. The focus among the media segments, however, remains the TV market which according to PwC should see out 2019 with a slight decline of 0.6 percent at EUR 11.8 billion. This is generally due to sharp declines in the home cinema market which cannot be compensated even by positive developments in the areas of satellite TV, internet protocol (IP) TV and pay-TV.

The total volume of the German market for online advertising is expected to increase in 2019 by 6.5 percent to EUR 8.5 billion. PwC sees mobile online advertising as the most significant driving force here. The impact of the General Data Protection Regulation (GDPR) has been interesting: What was initially seen as a great burden and threat to advertising opportunities is according to PwC changing more and more into an opportunity. Through the introduction of the GDPR the opportunity arises for providers to develop communication with the end consumer based on mutual trust.

The future of the video games market in Germany is also looking positive. More than 40 percent of all Germans play computer and video games, with women accounting for just under half of this. In 2019 the rate of increase should be around 7.2 percent, thus achieving a market volume of EUR 5.3 billion.

According to PwC figures the strongest growth rate in 2019 at 23.2 percent is expected to be in the eSports area with an anticipated market volume EUR 79.0 million. Competitive and organised computer and console games at professional and semi-professional level are now filling whole stadiums and arenas worldwide. As factors for growth the PwC experts identified revenues from the sale of media rights, sponsorship contracts and income from premium content. Sponsorship business will dominate the next few years due to great demand from interested companies.

Source: PricewaterhouseCoopers GmbH Wirtschaftprüfungsgesellschaft, German Entertainment and Media Outlook 2018 – 2022, October 2018.

8.3 Priorities for the 2019 financial year

8.3.1 Sports division

Sector-specific general conditions

The Dentsu Aegis Network in the “Ad Spend Forecast” for 2019/2020 expects a small growth in advertising spending in Germany of 0.5 percent per year. The agency names as reasons for the restrained investment behaviour of German companies the tense political climate, international relationships characterised by trade conflicts and anti-EU sentiment and, among other things, budget adjustments in the media industry.

Digital media will, though somewhat weaker than in the previous year, continue to grow in 2019 by 6.5 percent and, with 39.3 percent of investments, firmly establish itself as the leading advertising channel in Germany. The notable growth drivers here are mobile advertising with an increase of 41 percent, programmatic advertising at +20.6 percent and social media advertising at +9.3 percent. Globally, too, based on the investment targets the digital area expects to have a leading position in 2019 in 26 of 59 markets.

According to Dentsu Aegis Network, the growth in the area of digital media contrasts with a decline in print and TV. For TV a decrease in advertising spending in the amount of 1.2 percent is expected in 2019 and 2020 compared to the previous year.

Source: Dentsu Aegis Network, Press release “Ad Spend Forecast: Dentsu Aegis Network senkt Wachstumsprognose für Deutschland“, January 10, 2019.

Based on the “German Entertainment and Media Outlook 2018 – 2022” by PwC, Germany is expected to have an average annual growth in advertising spending of 2.6 percent by 2022. Digital advertising revenue is named here, too, as a growth driver. Growth rates, however, are decreasing – from 8.0 percent in 2018 to 4.6 percent in 2022. The level of traditional advertising revenues is estimated to be stable until 2022 with an average annual growth of 0.1 percent – decisively influenced by stable development in the TV area.

Source: PricewaterhouseCoopers GmbH Wirtschaftprüfungsgesellschaft, German Entertainment and Media Outlook 2018 – 2022,October 2018.

Based on the assessments of its members, the Organization of Media Agencies (OMG, Organisation der Mediaagenturen)is for the first time expecting for 2019 a decline in net advertising spending in the area of TV of between -1 and -2 percent. Looking at all categories (including Google and Facebook), the agency representatives are still expecting a moderate growth of net advertising spending of between one and two percent, whereby for the online category an increase of 5 to 6 percent compared with the previous year is expected. For the TV category, the CEO of OMG, Klaus-Peter Schulz, sees reaching the young target groups in particular as a great challenge, as the purchase of net coverage in young target groups has become extremely expensive. Furthermore, he considers it crucial to see whether the AGF is successful in fully representing video use.

Source: OMG PREVIEW 2019, Press release of December 13, 2018.

For the pay-TV market in Germany, PwC is predicting further growth in the next few years. This, as before, is due to the demand for high-quality content and even higher picture quality as well as attractive price models for customers, particularly due to the strong competition between the different Pay-TV providers. PwC is predicting an average annual growth of 3 percent for the pay-TV market in Germany between 2018 and 2022.

Source: PricewaterhouseCoopers GmbH Wirtschaftprüfungsgesellschaft, German Entertainment and Media Outlook 2018 – 2022,October 2018.

Cloud technology and artificial intelligence will play an essential role in the transformation of broadcasting and media companies to enable continuous adjustment to the changing usage behaviour of end consumers. Deployment scenarios for corresponding solutions will be developed, proof-of-concepts produced and first marketable products offered by manufacturers. In the production market numerous deployment scenarios are conceivable–from storage solutions as well as content management and production in the cloud. This generates diverse opportunities for growth for media companies.

Sources: www.mebucom.de, “An Cloudsourcing und IP-Produktion kommen Produzenten nicht länger vorbei”, November 2018; www.mebucom.de, “Effiziente Lösungen für die Sport-Produktion”, November 2018; www.pwc.de, “Wie künstliche Intelligenz die Medienbranche revolutioniert”, October 25, 2018.

The change from SDI to Video-over-IP is a big step for broadcasters, which is why this topic will dominate in the 2019 financial year, too. The replacement of "classic" audio and video networking by IT-based networks announced several years ago has begun, even though many hurdles still exist to implementing the new technologies. Advantages can, however, be realized even now with a view to greater flexibility, scalability and efficiency in the configuration of workflows. This has now made, for example, the production of marginal sports economically attractive.

Sources: www.film-tv-video.de, "IP-Topologien: ein Überblick", September 5, 2018; www.film-tv-video.de, "EVS: Synonym für Live-Produktion", March 8, 2018.

OTT and the services derived from this, such as SVOD, TVOD and AVOD, have arrived on the mass market, and the distribution of these in the German Market will be further expanded. In 2019, too, both the number of providers as well as also the diversity of content will grow steadily. According to a study by Goldmedia alongside niche offers such as in the children and independent genres, sports content will continue to win favour with end consumers. This background will present opportunities and business models expanded to include the production market.

Sources: www.wuv.de, "Streaming geht ab wie eine Rakete", June 25, 2018; www.goldmedia.com, "Welche Entwicklungen sind 2019 in der Medien-, Entertainment- und Telekommunikations- Branche in Deutschland zu erwarten?"; www.blickpunktfilm.de, "Streamingmarkt in Bewegung: alle gegen Netflix", December 6, 2018; www.wuv.de, "Mehr Streaming: ProSiebenSat.1 und Discovery machen gemeinsame Sache", June 25, 2018.

Although the UHD/4K standard in the German market – despite increasing distribution – has not yet fully arrived for the end consumer, manufacturers of consumer goods are already pushing forward with the next development level 8K. Internationally, 8K productions are also taking place sporadically. For example, the Japanese broadcasting company NHK in December 2018 launched the broadcast of an 8K channel. In Germany, an extensive broadcast of such program material will take time.

Sources: www.ultra-hdtv.net, "8K Fernseher: Der Trend soll 2019 starten", January 3, 2019; www.baf-berlin.de/blog, "8K-TV regulär in Japan gestartet – RTL plant mehr deutsche 4KProduktionen", December 19, 2018.

The Augmented and virtual reality segment will continue to grow in the next few years. According to current studies, this development is also due in particular to the use of technologies in the B2B area within the industry. However, the central driver continues to be the media and entertainment industry.

Sources: www.horizont.net, "Virtual und Augmented Realitysind in den Unternehmen angekommen", 5 July 2018; www.vr-world.com, "VR & AR: Starkes Wachstum dank Industrieeinsatz prognostiziert", July 3, 2018; www.pwc.com, Global Entertainment & Media Outlook 2018 – 2022, June 2018.

Priorities

In the 2019 financial year, SPORT1 continues to focus on consistent multimedia content use, distribution and capitalization. The strengthening of its portfolio by acquiring attractive new rights, extending existing partnerships and developing new content cooperations and business areas, as well as exploiting and staging established program pillars across platforms continue to be focal points. This includes soccer – especially with the Bundesliga and 2nd Bundesliga as well as, as of August 2019, the DFB-Pokal (DFB Cup) – motorsports, ice hockey, basketball, volleyball, boxing, darts, tennis, US sports and eSports.

Against the background of the massively increasing digital and cross-platform use of media offers, in the 2019 business year, Sport1 GmbH will further drive the digital diversification of the SPORT1 brand and at the same time create new content and marketing environments. Priorities include the development of new mobile offers, the intensification of social media activities and the expansion of the video area via own apps, own video brand channels or the use of new social media video offers. In addition, the activities include own offers and formats in the eSports area, which continues to grow rapidly – with further milestones such as the pay-offer eSPORTS1 launched in January and the new eSPORTS1 app.

At PLAZAMEDIA, in 2019, 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 technology content distribution. In the context of expanding the PLAZAMEDIA portfolio, priorities in the 2019 business year will be alongside the traditional broadcasting activities, particularly the further development and the development of new digital production activities, products and services. In this area, partnerships with various renowned partners are opening up access to new markets and players. In the 2019 financial year, it is the aim to expand existing business relationships based on the varied range of services, to add new business areas and customer groups and to create a considerably broader customer basis overall.

At the other subsidiaries of Constantin Medien AG in the Sports division, too, the focus is on maintaining and expanding existing customer relationships as well as establishing new ones. Special focus is placed on the best possible utilization of synergies in the Sports division, in which the subsidiaries cover the entire value chain and correspondingly are able to provide integrated, comprehensive services for partners and customers.

8.4 Financial targets of Constantin Medien Group

In the **Sports division**, slightly decreasing revenues are expected in 2019 for the TV segment at Sport1 GmbH. In spite of the virtually unchanged market share in the core target group of males aged 14 to 59, the discontinuation of the UEFA Europa League cannot be fully compensated, due to the low number of matches, by the new DFB-Pokal rights as of the second half of 2019.

In the digital area the Management Board, through the optimization of the editorial and functional offering and numerous traffic initiatives, expects an increase in cumulative online and mobile coverage. In addition, an increase in video views by target-group oriented development of the video portfolio is also expected, e.g. by appearances on external social-oriented platforms such as YouTube or Twitch. The slight increase in revenue in the digital area cannot, however, compensate for sales losses in the TV sector.

The slight decrease in revenue as well as significantly lower other operating income due to the discontinuation of special effects and higher write-downs can only partially be compensated by savings in material costs. The Management Board is therefore expecting an EBIT in the low single-digit millions.

In the production area, slightly increasing sales revenues are forecast for PLAZAMEDIA GmbH. The expectation is that structural optimizations and investments launched in 2018 will yield positive effects. This should achieve savings in material expenses, staffing costs and other operating expenses, which means that a greatly improved EBIT in the slightly negative range is now expected in 2019.

Magic Sports Media GmbH, newly founded in March 2018, and Match IQ GmbH, fully consolidated since September 2018, will in 2019 have been operational for the first time for a full financial year and should, as expected, together with LEiTMOTiF Creators GmbH achieve total revenues in the low double-digit millions as well as a slightly positive EBIT.

Overall, the Management Board is expecting stable revenues in the Sports division for the 2019 financial year compared to the previous year. On the basis of savings in material expenses and staffing costs, however, a significantly higher positive EBIT is expected in 2019 compared to the previous year's value.

For 2019, Constantin Medien AG expects stable revenues at Group level compared to the previous year. On the basis of current estimates and the development in the Sports division, the Management Board of Constantin Medien AG is currently expecting consolidated sales of EUR 105 million to EUR 125 million for the 2019 financial year. Taking into consideration holding costs as well as taxes and the financial result, which due to the dividend expectation for Highlight Communications AG shares is expected to be positive in future, the Management Board is expecting a consolidated result attributable to shareholders of EUR +0.5 million to EUR -3.0 million.

8.5 Financial targets of Constantin Medien AG

As a holding company, Constantin Medien AG is dependent on the development of its operating subsidiaries, which is reflected in profit and loss transfer agreements and dividend distributions. In addition, financing costs, among other factors, impact the annual result of the company. Overall, a forecast of the net assets, financial position and results of operations solely makes sense based on the Constantin Medien Group.

The Management Board is anticipating a significantly higher income from profit/loss transfer agreements for the 2019 financial year as well as an expected dividend from Highlight Communications AG. Taking into consideration the legal costs anticipated also for 2019, the Board is predicting a slightly negative operating result for Constantin Medien AG. Due to the recognition of the Highlight Communications AG shares at the stock market price, however, there is an immutable value which may influence the financial targets of Constantin Medien AG, but which is not quantifiable at the present time.

9. FINAL DECLARATION BY THE MANAGEMENT BOARD PURSUANT TO SEC. 312 PARA. 3 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Management Board of Constantin Medien AG declares that Constantin Medien AG has received appropriate consideration for the legal transactions listed in the report on relationships with affiliated companies for the reporting period from February 13, 2018 to December 31, 2018 according to the circumstances known to us at the time when the legal transactions were conducted and for each legal transaction. There were no reportable measures in the reporting period.

Ismaning, March 15, 2019
Constantin Medien AG

Olaf G. Schröder
Chief Executive Officer

Dr Matthias Kirschenhofer
Chief Officer Legal and Finance


adidas

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

January 1 to December 31, 2018 in EUR '000	Note	1/1 to 12/31/2018	1/1 to 12/31/2017
Revenues	6.1	**119,078**	263,786
Capitalized film production costs and other own work capitalized	6.2	**3,052**	67,404
Other operating income	6.3	**6,939**	59,677
Costs for licenses, commissions and materials		**-31,645**	-41,683
Costs for purchased services		**-37,325**	-123,426
Cost of materials and licenses	6.4	**-68,970**	-165,109
Salaries		**-30,769**	-74,109
Social security		**-4,978**	-9,392
Expenses for pensions	7.17	**-9**	-783
Personnel expenses		**-35,756**	-84,284
Other operating expenses	6.5	**-22,576**	-57,788
Impairment/reversal of impairment on financial assets	6.6	**-510**	–
Losses/gains from the derecognition of financial assets measured at amortized costs		**-5**	–
Earnings before interest, taxes, depreciation and amortization		**1,252**	83,686
Amortization and impairment of film assets		**–**	-40,091
Amortization/depreciation and impairment of intangible assets and property, plant and equipment	7.1/7.2	**-4,069**	-6,871
Impairment of goodwill	7.2	**0**	0
Amortization, deprecation and impairment		**-4,069**	-46,962
Earnings before interest and taxes		**-2,817**	36,724
Result from investments in associated companies		**5**	-315
Financial income	6.7	**1,177**	11,669
Financial expenses	6.8	**-1,634**	-17,002
Financial result		**-457**	-5,333
Earnings before tax		**-3,269**	31,076
Income taxes		**-11**	-1,628
Deferred taxes		**-1,108**	-679
Taxes	6.9	**-1,119**	-2,307
Consolidated net earnings for the year		**-4,388**	28,769
thereof attributable to non-controlling interests	7.3	**-46**	927
thereof attributable to shareholders		**-4,342**	27,842

January 1 to December 31, 2018	1/1 to 12/31/2018	1/1 to 12/31/2017
Earnings per share		
Earnings per share attributable to shareholders, basic (in EUR)	**-0.05**	0.30
Earnings per share attributable to shareholders, diluted (in EUR)	**-0.05**	0.30
Weighted average of shares outstanding (basic)	**93,599,838**	93,599,838
Weighted average of shares outstanding (diluted)	**93,599,838**	93,599,838

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, 2018 in EUR '000	1/1 to 12/31/2018	1/1 to 12/31/2017
Consolidated net earnings for the year	**-4,388**	28,769
Currency translation differences	**11**	-10,948
Net gains/losses from a net investment hedge	**0**	208
Changes in fair value of available-for-sale financial assets	**–**	449
Gains/losses from cash flow hedges	**0**	1,180
Items that may be reclassified into the statement of profit or loss in subsequent periods	**11**	-9,111
Result from the remeasurement of defined benefit pension plans	**0**	466
Result from the remeasurement of equity instruments	**1,381**	–
Items that will not be reclassified into the statement of profit or loss in subsequent periods	**1,381**	466
Other comprehensive income net of tax	**1,392**	-8,645
Total comprehensive income for the year	**-2,996**	20,124
thereof attributable to non-controlling interests	**-46**	1,040
thereof attributable to shareholders	**-2,950**	19,084

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets as of December 31, 2018 in EUR '000

	Note	**12/31/2018**	12/31/2017
Non-current assets			
Intangible assets	7.1	**4,227**	1,888
Goodwill	7.1	**8,710**	8,707
Property, plant and equipment	7.2	**10,302**	4,391
Investments in associated companies		**0**	0
Other financial assets	7.4	**31,292**	105,069
Deferred tax assets	7.5	**10**	274
		54,541	120,329
Current assets			
Inventories		**129**	129
Trade accounts receivable and other receivables	7.6	**18,643**	33,740
Contract assets	7.7	**4,202**	–
Receivables due from associated companies		**0**	56
Income tax receivables		**85**	0
Cash and cash equivalents	7.8	**13,438**	20,845
		36,497	54,770
Total assets		**91,038**	175,099

Equity/Liabilities as of December 31, 2018 in EUR '000

	Note	**12/31/2018**	12/31/2017
Equity			
Subscribed capital	7.9.1	**93,600**	93,600
Treasury shares	7.9.9	**0**	0
Capital reserve	7.9.3	**-75,283**	-75,283
Other reserves	7.9.4	**34,620**	3,336
Accumulated other components of equity	7.9.5/7.9.6	**-60**	422
Retained earnings		**11,392**	12,967
Earnings attributable to shareholders		**-4,342**	27,842
Equity attributable to shareholders	7.9.2/7.3	**59,927**	62,884
Non-controlling interests		**223**	–
		60,150	62,884
Non-current liabilities			
Financial liabilities	7.11	**829**	0
Other liabilities		**85**	83
Deferred tax liabilities	7.12	**1,533**	846
		2,447	929
Current liabilities			
Financial liabilities	7.13	**218**	63,870
Trade accounts payable and other liabilities	7.14	**19,444**	38,352
Contract liabilities	7.15	**2,756**	–
Provisions	7.17	**5,847**	8,843
Income tax liabilities		**176**	221
		28,441	111,286
Total equity and liabilities		**91,038**	175,099

CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, 2018 in EUR ‘000	Note	1/1 to 12/31/2018	1/1 to 12/31/2017
Consolidated net income for the year		**-4,388**	28,769
Deferred taxes	6.9	**1,108**	679
Income taxes	6.9	**11**	1,628
Financial result	6.7/6.8	**446**	6,300
Result from investments in associated companies		**-5**	315
Amortization, depreciation, impairment and reversal of impairment of fixed assets	7.1/7.2	**4,069**	46,962
Profit (–) / loss (+) from the disposal of fixed assets		**7**	14
Non-cash gain from deconsolidation of Highlight Communications AG		**–**	-38,273
Other non-cash items		**-1,526**	-3,762
Increase (-) / decrease (+) in inventories, trade accounts receivable and other assets not attributable to investing or financing activities		**10,243**	-16,074
Decrease (-) / increase (+) in trade accounts payable and other liabilities not attributable to investing or financing activities		**-13,722**	-2,357
Dividends received	6.7	**1,066**	7,353
Interest paid		**-4,529**	-8,020
Interest received		**1**	35
Income taxes paid		**-144**	-4,348
Income taxes received		**0**	342
Cash flows from operating activities		**-7,363**	19,563
Change in cash and cash equivalents due to acquisitions of companies/shares in companies, net	3.1	**115**	0
Payments for intangible assets		**-3,422**	-993
Payments for film assets		**0**	-57,102
Payments for property, plant and equipment		**-7,538**	-2,030
Payments of financial assets		**0**	-17
Proceeds/payments due to sale of companies/shares in companies		**0**	0
Disposal of cash and cash equivalents due to deconsolidation of Highlight Communications AG		**–**	-60,315
Proceeds from disposal of intangible assets and film assets		**0**	1
Proceeds from disposal of property, plant and equipment		**8**	62
Proceeds from disposal of financial assets	7.4	**74,971**	29
Cash flows from investing activities		**64,134**	-120,365

January 1 to December 31, 2018 in EUR '000	Note	**1/1 to 12/31/2018**	1/1 to 12/31/2017
Proceeds from capital increases and issuance of equity instruments		**0**	0
Payments for the purchase of treasury shares		**0**	0
Proceeds from the sale of treasury shares		**0**	0
Payments for the purchase of non-controlling interests		**0**	–500
Proceeds from the sale of non-controlling interests		**0**	0
Payments for repayment and repurchase of non-current financial liabilities		**0**	0
Payments for repayment and repurchase of current financial liabilities	7.16	**-64,217**	-1,800
Proceeds from non-current financial liabilities		**0**	0
Proceeds from current financial liabilities		**0**	20,779
Payment of dividends		**0**	-977
Cash flows from financing activities		**-64,217**	17,502
Cash flows for the reporting period		**-7,446**	-83,300
Financial funds at the beginning of reporting period		**20,845**	104,830
Effects of exchange rate differences		**39**	-685
Financial funds at the end of reporting period		**13,438**	20,845
Change in financial funds		**-7,446**	-83,300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*

January 1 to December 31, 2018 in EUR '000

	Subscribed capital	Treasury shares	Capital reserve	Other reserves	Currency translation differences
Balance January 1, 2018	93,600	0	-75,283	3,336	-27
Adjustment IFRS 9					
Adjustment IFRS 15					
Restated balance January 1, 2018	93,600	0	-75,283	3,336	-27
Items that may be reclassified into the statement of profit or loss in subsequent periods					11
Items that will not be reclassified to the statement of profit or loss in subsequent periods					
Total other comprehensive income	0	0	0	0	11
Consolidated net earnings for the year					
Total comprehensive income for the year	0	0	0	0	11
Reclassification of prior year earnings					
Capital increase					
Change in treasury shares					
Dividend payments					
Change in non-controlling interests					
Transfer of cumulative gain/loss from equity instruments to retained earnings					
Reclassification reserve for shares in a controlling company				31,284	
Other changes					
Balance December 31, 2018	93,600	0	-75,283	34,620	-16
Balance January 1, 2017	93,600	0	-75,283	3,336	10,386
Items that may be reclassified into the statement of profit or loss in subsequent periods					-10,413
Items that will not be reclassified to the statement of profit or loss in subsequent periods					
Total other comprehensive income	0	0	0	0	-10,413
Consolidated net earnings for the year					
Total comprehensive income for the year	0	0	0	0	-10,413
Reclassification of prior year earnings					
Capital increase					
Change in treasury shares					
Dividend payments					
Change in non-controlling interests					
Reclassification of remeasurement of defined benefit pension plans to retained earnings due to deconsolidation of Highlight Communications AG					
Other changes					
Balance December 31, 2017	93,600	0	-75,283	3,336	-27

* Further explanations see note 7.9

Accumulated other components of equity

Net investment hedge	Remeasurement of equity instruments**	Cash flow hedges	Remeasurement of defined benefit pension plans	Retained earnings	Earnings attributable to shareholders	**Equity attributable to shareholders**	Non-controlling interests	**Total**
0	449	0	0	12,967	27,842	**62,884**	0	**62,884**
				64		**64**		**64**
				-71		**-71**		**-71**
0	449	0	0	12,960	27,842	**62,877**	0	**62,877**
						11		**11**
	1,381					**1,381**		**1,381**
0	1,381	0	0	0	0	**1,392**	0	**1,392**
					-4,342	**-4,342**	-46	**-4,388**
0	1,381	0	0	0	-4,342	**-2,950**	-46	**-2,996**
				27,842	-27,842	**0**		**0**
						0		**0**
						0		**0**
						0		**0**
						0	269	**269**
	-1,874			1,874		**0**		**0**
				-31,284		**0**		**0**
						0		**0**
0	-44	0	0	11,392	-4,342	**59,927**	223	**60,150**
-208	0	-715	-117	4,527	8,274	**43,800**	54,314	**98,114**
208	449	715				**-9,041**	-70	**-9,111**
			283			**283**	183	**466**
208	449	715	283	0	0	**-8,758**	113	**-8,645**
					27,842	**27,842**	927	**28,769**
208	449	715	283	0	27,842	**19,084**	1,040	**20,124**
				8,274	-8,274	**0**		**0**
						0		**0**
						0		**0**
						0	-977	**-977**
						0		**0**
			-166	166		**0**		**0**
						0	-54,377	**-54,377**
0	449	0	0	12,967	27,842	**62,884**	0	**62,884**

** In prior year available-for-sale financial assets

NOTES

1. General explanations

On March 15, 2019, the Management Board approved the release of the financial statements to the Supervisory Board. Since March 31, 2018, Constantin Medien AG has been included in the consolidated financial statements of the direct parent company Highlight Communications AG, Pratteln/Switzerland as well as of the ultimate parent company Highlight Event and Entertainment AG, Pratteln/Switzerland.

1.1 General information on the Group

Constantin Medien AG (HRB: 148760; Munich Local Court) as the parent company of the Group has its registered office at Münchener Straße 101g, Ismaning, Germany. The Company is listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. The operating business of the Constantin Medien Group comprises the Sports division.

1.2 Principles of presentation

The consolidated financial statements of Constantin Medien AG were prepared in accordance with § 315e (1) HGB and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law. All mandatory IFRS/IAS and IFRIC/SIC as at December 31, 2018 were observed.

The financial statements have been prepared in Euros, which is the functional and reporting currency of the parent company. The amounts are stated in thousands of Euros (EUR'000) unless otherwise stated. For computational reasons, rounding differences of +/- one unit (EUR'000) may occur in the tables and the percentages shown may not accurately reflect the absolute figures to which they relate.

A list of the subsidiaries and associated companies included in the consolidated financial statements can be found in these notes. The effects of the first-time consolidation and deconsolidation of subsidiaries and associated companies are presented in the note information on the scope of consolidation (see note 3).

The statement of profit or loss was prepared using the nature of expense method. The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting and valuation methods corresponding to the respective business activities. The consolidated financial statements have been prepared based on historical acquisition/production costs; exceptions to this are described in the accounting policies (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 amounts of revenues, expenses, assets, liabilities, contingent liabilities and contingent assets at the date of the financial statements. These estimates and assumptions are based on management's best estimate based on experience and other factors, including estimates of future events. The estimates and assumptions are reviewed on an ongoing basis. Changes to the estimates are necessary if the circumstances on which the estimates are based have changed or new information and additional findings are available. Such changes are recognized in the reporting period in which the estimate was adjusted. More detailed information based on the estimates can be found separately under the respective statement of financial position item (see note 5).

2. Accounting policy

2.1 First-time adoption of relevant standards and interpretations

The mandatory application of the following relevant accounting standards and interpretations resulted in the following material changes to the consolidated financial statements.

2.2 First-time adoption of 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 completed. The standard supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after 1 January 2018.

The new regulations and the related changes to the accounting policies of Constantin Medien AG mainly comprise the following items relevant for the Constantin Medien Group.

Classification and measurement of financial instruments

The first-time adoption of these regulations did not have any material effect on the net assets, financial position and results of operations. The previous year‘s figures were not adjusted in accordance with the simplification provisions of IFRS 9.

Financial assets previously carried at amortized cost are also measured at amortized cost under IFRS 9, as they are held to receive contractual cash flows that represent only principal and interest payments.

All equity instruments that fall within the scope of IFRS 9 must be recognized in the statement of financial position at fair value; changes in value are recognized in profit or loss for the period. If an equity instrument is not held for trading, an entity may, at initial recognition, irrevocably elect to measure it at fair value with changes in value recognized in other comprehensive income. Constantin Medien AG made use of this option for all equity instruments as of January 1, 2018 that are not held for trading and irrevocably recognized them at fair value with changes in value recognized in other comprehensive income. As a result, equity instruments with a carrying amount of EUR 105,069 thousand were reclassified from the previous category available-for-sale financial assets to the category fair value through other comprehensive income as of January 1, 2018. In the statement of financial position, these equity instruments are reported under other non-current financial assets. Accordingly, the reclassification from the reserve for available-for-sale financial instruments to the reserve for equity instruments measured at fair value through other comprehensive income of EUR 449 thousand was made in equity as of January 1, 2018.

Financial liabilities measured at amortized cost continue to be recognized unchanged. The effects from the modification of financial liabilities must now be recognized in profit or loss. The regulations for the derecognition of financial assets and liabilities have remained largely unchanged.

The innovations from the classification of financial instruments without considering the new impairment provisions in accordance with IFRS 9 are shown in the following table:

Classes of financial instruments according to IFRS 9

	Measurement category		Carrying amounts as of 1/1/2018 in EUR'000		
Non-current assets	**according to IAS 39**	**according to IFRS 9**	**according to IAS 39**	**according to IFRS 9**	**Difference**
Other non-current financial assets					
– Investment Highlight Communications AG	Available-for-sale financial instruments	Fair value through other comprehensive income	105,060	105,060	0
– Investment Geenee Inc.	Available-for-sale financial instruments	Fair value through other comprehensive income	0	0	0
– Other investments	Available-for-sale financial instruments	Fair value through other comprehensive income	9	9	0
Current assets					
Cash and cash equivalents	Loans and receivables	At amortized costs	20,845	20,845	0
Trade accounts receivable	Loans and receivables	At amortized costs	18,467	18,467	0
Receivables due from associated companies	Loans and receivables	At amortized costs	56	56	0
Other receivables					
– Suppliers with debit balances	Loans and receivables	At amortized costs	63	63	0
– Receivables due from related companies and persons	Loans and receivables	At amortized costs	508	508	0
– Other assets	Loans and receivables	At amortized costs	3,947	3,947	0
Non-current liabilities					
Other liabilities	Other financial liabilities	At amortized costs	83	83	0
Current liabilities					
Financial liabilities (corporate bond 2013/2018)	Other financial liabilities	At amortized costs	63,870	63,870	0
Trade accounts payable	Other financial liabilities	At amortized costs	22,204	22,204	0
Other liabilities					
– Derivative financial instruments without hedging relationship	Fair value through profit or loss	Fair value through profit or loss	37	37	0
– Liabilities due to related companies and persons	Other financial liabilities	At amortized costs	286	286	0
– Customers with credit balances	Other financial liabilities	At amortized costs	197	197	0
– Personnel-related liabilities	Other financial liabilities	At amortized costs	1,951	1,951	0
– Commissions and licenses	Other financial liabilities	At amortized costs	5,968	5,968	0
– Current interest liabilities	Other financial liabilities	At amortized costs	3,105	3,105	0
– Other liabilities	Other financial liabilities	At amortized costs	97	97	0

Impairment of financial assets

In addition, IFRS 9 introduces the expected loss model for the recognition of impairment losses on financial assets. This means that a risk provision must be recognized before default events occur based on historical default rates, which must be adjusted at the balance sheet date to reflect current information and expectations. The Constantin Medien Group uses the simplified impairment model of the credit loss incurred over the entire term to determine the expected credit defaults on trade accounts receivable and contract assets after specific valuation allowances. The maturity-specific value adjustment factors are based on historical and future-oriented information. As of January 1, 2018, the first-time application of the new regulations resulted in a reduction of the allowance for doubtful accounts on trade accounts receivable of EUR 88 thousand (before consideration of deferred taxes) due to the determination of the allowance for doubtful accounts on trade accounts receivable not individually impaired by means of a valuation allowance table. The expected losses over the remaining term are determined as percentages based on the duration of the arrears. The following table shows the determination of the impairment of trade accounts receivable not individually impaired as of January 1, 2018:

Impairment of financial assets

			Days overdue				
	Portfolio after individual allowance	thereof not overdue as at the closing date	less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
Trade accounts receivable	15,080	11,914	2,818	12	9	2	325
Average default rate		0.10%	0.20%	0.80%	2.17%	2.50%	6.13%
Allowance as at January 1, 2018	38	12	6	0	0	0	20
Previous allowance as at December 31, 2017	126						
Reduction in allowance	-88						

Due to the application of the simplified first-time adoption, the reduction in the valuation allowance of EUR 88 thousand (before deferred taxes) was recognized directly in equity (retained earnings).

There were no significant effects on cash and cash equivalents, receivables from associated companies, contract assets or other financial receivables from the first-time adoption of the new impairment model.

Accounting for hedging transactions

The Constantin Medien Group did not have any hedging relationships as at the date of first-time adoption January 1, 2018. In the future, Constantin Medien AG will apply the provisions of IFRS 9 regarding the recognition of hedging instruments, i.e. the recognition of hedging relationships will result in extensions of designation possibilities and the retrospective effectiveness test will no longer apply in the future. An economic relationship between the hedged item and the hedging instrument must be demonstrated without quantitative thresholds.

Disclosures

With the entry into force of IFRS 9 Financial instruments, additional disclosures in the notes are also required in accordance with IFRS 7 Financial Instruments: Disclosures. These relate in particular to disclosures on impairment losses and hedge accounting. These additional disclosures are contained in notes 6 to 8.

2.3 First-time adoption of IFRS 15 Revenue from contracts with customers (including clarifications)
In May 2014, the IASB published the new standard IFRS 15 Revenue from contracts with customers. In particular, the standard replaces IAS 18 Revenue and IAS 11 Construction contracts and is mandatory for reporting periods beginning on or after January 1, 2018.

The objective of IFRS 15 is to inform users of financial statements about the nature, amount, timing and uncertainty of revenue from a contract with a customer and the resulting cash flows. The core principle is implemented with a five-level framework model:

- Identification of the contract with the customer
- Identification of independent performance obligations in the contract
- Determination of the transaction price
- Distribution of the transaction price among the performance obligations of the contract
- Revenue recognition when the entity meets its obligations to perform

The provisions of IFRS 15 were applied as of January 1, 2018 using the modified retrospective approach. In accordance with the transitional provisions of the standard, the prior-year figures are not restated; instead, the cumulative effects from first-time adoption are recognized as an adjustment in equity. The Constantin Medien Group makes use of the exemption of IFRS 15.C7 and does not reassess contracts that were fulfilled before the date of first-time adoption.

Since the contracts in the advertising business generally have a term of one year, the Constantin Medien Group has decided to make use of the exemption in IFRS 15.63 and accordingly not to consider any financing components for such short-term contracts.

Except for adjustments in non-monetary barter transactions in the amount of EUR -98 thousand (before deferred taxes), there were no material adjustments at the date of first-time adoption which were cumulatively recognized directly in equity in retained earnings. There were significant reclassifications in the statement of financial position due to the new terminology in IFRS 15:

Adjustments in the statement of financial position: contract assets and contract liabilities
A contract asset exists if the Constantin Medien Group meets a performance obligation but has not yet acquired an unconditional right to receive the consideration (e.g. because further performance obligations must be met before an invoice can be issued). In complex agreements it may occur that the payments of the consideration by the customers are made at different times during the term of the agreement. The Constantin Medien Group sometimes receives consideration from its customers in advance of the services resulting from a contract. In such cases, the rights and obligations under the contract are closely related and, accordingly, the contractual assets and liabilities are interdependent and are therefore presented on a net basis in the statement of financial position, provided that the offsetting requirements of IAS 32 are met. This results in the following adjustments as of the date of first-time adoption on January 1, 2018: EUR 2,818 thousand of other receivables were reclassified to contract assets and EUR 2,347 thousand of other liabilities and provisions were reclassified to contract liabilities.

Adjustment of barter transactions
In connection with the recognition of non-monetary barter transactions in accordance with IFRS 15, the first-time adoption of IFRS 15 as of January 1, 2018 resulted in an increase in trade accounts payable of EUR 98 thousand (before deferred taxes), which was recognized directly in equity.

Constantin Medien AG did not capitalize any contract acquisition costs and contract fulfillment costs as these are immaterial. Furthermore, the first-time adoption of IFRS 15 did not have a material impact on the consolidated financial statements of the Constantin Medien Group.

Disclosures
With the effective date of IFRS 15 Revenue from contracts with customers, additional disclosures in the notes are also required. These additional disclosures are contained in notes 6 to 8.

2.4 Summary of effects of first-time adoption of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers

Consolidated statement of financial position as of December 31, 2017 and January 1, 2018 in EUR'000

	12/31/2017	IFRS 15 Reclassifi-cations	IFRS 15 Adjustments	IFRS 9 Adjustments	**1/1/2018**
Non-current assets					
Intangible assets	1,888				**1,888**
Goodwill	8,707				**8,707**
Property, plant and equipment	4,391				**4,391**
Investment in associated companies	0				**0**
Other financial assets	105,069				**105,069**
Deferred tax assets	274		27	5	**306**
	120,329	0	27	5	**120,361**
Current assets					
Inventories	129				**129**
Trade accounts receivable and other receivables	33,740	-2,818		88	**31,010**
Contract assets	–	2,818			**2,818**
Receivables due from associated companies	56				**56**
Cash and cash equivalents	20,845				**20,845**
	54,770	0	0	88	**54,858**
Total assets	**175,099**	**0**	**27**	**93**	**175,219**
Equity					
Subscribed capital	93,600				**93,600**
Treasury shares	0				**0**
Capital reserve	-75,283				**-75,283**
Other reserves	3,336				**3,336**
Accumulated other components of equity	422				**422**
Retained earnings	12,967		-71	64	**12,960**
Earnings attributable to shareholders	27,842				**27,842**
Equity attributable to shareholders	62,884	0	-71	64	**62,877**
Non-controlling interests	0				**0**
	62,884	0	-71	64	**62,877**

Consolidated statement of financial position as of December 31, 2017 and January 1, 2018 in EUR'000					
	12/31/2017	IFRS 15 Reclassifi-cations	IFRS 15 Adjustments	IFRS 9 Adjustments	**1/1/2018**
Non-current liabilities					
Other liabilities	83				**83**
Deferred tax liabilities	846			29	**875**
	929	0	0	29	**958**
Current liabilities					
Financial liabilities	63,870				**63,870**
Trade accounts payable and other liabilities	38,352	-1,599	98		**36,851**
Contract liabilities	–	2,347			**2,347**
Provisions	8,843	-748			**8,095**
Income tax liabilities	221				**221**
	111,286	0	98	0	**111,384**
Total equity and liabilities	**175,099**	**0**	**27**	**93**	**175,219**

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

The Constantin Medien Group has 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.

IFRS 16 Leases

The standard provides for a single accounting model for the lessee. For the lessee, this model means that all assets and liabilities arising from leasing agreements must be recognized in the statement of financial position if the term exceeds 12 months or if the asset is not of minor value. For accounting purposes, the lessor continues to distinguish between finance and lease agreements.

In the Constantin Medien Group, the first-time adoption mainly affects the leasing agreements previously classified as operating leases. With respect to the options in IFRS 16, Constantin Medien AG provides the following:

- Short-term lease agreements with a term of less than 12 months (and without purchase option) are not accounted for in accordance with IFRS 16, in accordance with the option under IFRS 16.5, but are recognized as expenses under other operating expenses.
- In accordance with the option under IFRS 16.5, leases in which the asset component underlying the lease agreement is of minor value are not accounted for in accordance with IFRS 16 but are recognized as expenses in other operating expenses.
- In addition, the Constantin Medien Group does not exercise the option under IFRS 16.4 regarding intangible assets, i.e. all intangible assets are accounted for in accordance with IAS 38.
- In addition, for all leasing classes a separation into leasing and non-leasing components is waived according to IFRS 16.15 and instead accounted for all components of the contract as a single lease agreement.
- At the Constantin Medien Group, the rights of use are reported in a separate statement of financial position item rights of use from leasing agreements.
- In the Constantin Medien Group, the interest portion of the cash flow from financing activities is reported in the cash flow statement .

The first-time adoption of IFRS 16 Leases is mandatory for financial years beginning on or after January 1, 2019. Early application is generally possible if IFRS 15 Revenue from contracts with customers is already fully (early) applied. The Constantin Medien Group will apply IFRS 16 for the first time as of January 1, 2019.

At the date of first-time adoption of IFRS 16, an option is granted to refrain from reassessing whether an agreement contains a lease as defined by IFRS 16 or not (IFRS 16.C3). Contracts classified as leases in accordance with IAS 17 must continue to be treated as such. Accordingly, non-leasing agreements do not have to be treated as such under the old law. The Constantin Medien Group will make use of this option.

The lessee must either apply IFRS 16 in full retrospectively, including earlier reporting periods, or recognize the cumulative adjustment effect at the date of first-time adoption as a component of equity at the beginning of the financial year of first-time adoption (IFRS 16.C5, C7). The chosen variant must be applied uniformly to all contracts (IFRS 16.C6). The Constantin Medien Group is using the modified retrospective approach. The measurement of the right of use is based on the value of the lease liability, adjusted for prepaid or deferred amounts. Accordingly, in accordance with IFRS 16.C7, the comparative information for the 2018 financial year is not restated in the 2019 consolidated financial statements.

The Constantin Medien Group has analyzed the effects of the first-time adoption of IFRS 16 in a Group-wide project. The following categories of leases have been identified for which the transition to IFRS 16 as of January 1, 2019 results in the recognition of leases previously classified as operating leases as defined by the new standard: Real estate, vehicles, technical equipment and equipment. As a result of the first-time adoption, rights of use in the amount of EUR 8,820 thousand and lease liabilities in the same amount are recognized in the consolidated statement of financial position as of January 1, 2019. As of January 1, 2019, this led to a reduction in the equity ratio from 66.1 percent to around 60.2 percent.

In addition, the operating result changed because, on the one hand, costs that were reported in the past as rental expenses in other operating expenses are now reported as interest expenses in the financial result and, on the other hand, depreciation from the rights of use of leasing agreements is reflected in the operating result. This will lead to improved EBITDA and slightly better EBIT in the 2019 financial year.

3. Information on the scope of consolidation

3.1 Acquisitions and foundations

Magic Sports Media GmbH

On March 7, 2018, Constantin Sport Holding GmbH acquired a shell company with share capital of EUR 25 thousand for a purchase price of EUR 28 thousand and renamed it Magic Sports Media GmbH. Magic Sports Media GmbH offers companies in the gaming and gambling industry, media companies as well as sports associations, leagues and clubs a comprehensive range of ad sales and consulting services. Magic Sports Media GmbH has been included at 100 percent in the consolidated financial statements of Constantin Medien AG since March 7, 2018.

Match IQ GmbH and Event IQ GmbH

Effective August 27, 2018, Constantin Sport Holding GmbH holds a 50.1 percent interest in Match IQ GmbH, Hamburg, as well as its wholly-owned subsidiary Event IQ GmbH, Hamburg, and thus gained control. The companies are allocated to the Sports division. Match IQ GmbH focuses in particular on the organization of training camps and test matches for renowned German and international football clubs as well as the media exploitation of the test matches. As part of the acquisition of the companies, incidental acquisition costs of EUR 30 thousand were recognized in the statement of profit or loss. The purchase price amounts to EUR 250 thousand. There is also an earn-out agreement with the remaining minority shareholder and managing director of Match IQ GmbH. The earn-out payments are linked to the condition that the minority shareholder and managing director of Match IQ GmbH continues to be managing director of the company. The earn-out dates are July 1, 2019 (EUR 65 thousand), July 1, 2020 (EUR 65 thousand) and July 1, 2021 (EUR 25 thousand). The earn-out payments are recognized pro rata temporis over the vesting period under personnel expenses.

On initial consolidation, a negative difference of EUR 20 thousand was recognized in other operating income. Prior to recognition, a further assessment was made regarding the completeness and correctness of the recognition of all acquired assets and liabilities. The negative difference was due to the strategic motives of the sellers. The non-controlling interests were recognized in the amount of their share of the identified net assets acquired.

The following table shows the fair values of the identified assets acquired and liabilities assumed in connection with the acquisition at the acquisition date.

Acquisition Match IQ GmbH (including the 100% subsidiary Event IQ GmbH) in EUR'000

	Fair value at acquisition date
Non-current assets	
Intangible assets	107
Property, plant and equipment	25
	132
Current assets	
Inventories	4
Trade accounts receivable and other receivables	382
Income tax receivables	24
Cash and cash equivalents	368
	778
Non-current liabilities	
Deferred tax liabilities	32
	32
Current liabilities	
Financial liabilities	15
Trade accounts payable and other liabilities	216
Contract liabilities	81
Income tax liabilities	27
	339
Net assets	**539**
Pro rata shares of net assets	**270**
Purchase price	**250**
Negative difference	**20**

Within the purchase price allocation long-term customer contracts with durations of between 3 months and 44 months and a fair value of EUR 106 thousand were recognized. The valuation was carried out using a discounted cash flow method.

A consolidation of the companies from the beginning of the financial year until the first-time consolidation at the end of August 2018 would have had the following effect on the net assets, financial position and results of operations of the Constantin Medien Group: Additional revenues of EUR 2,844 thousand and earnings after taxes of EUR 79 thousand. Since initial consolidation until December 31, 2018, the companies contributed revenues of EUR 286 thousand and earnings after taxes of EUR -73 thousand to the consolidated result.

3.2 Divestments

On December 13, 2018, Sport1 GmbH sold the fully impaired associated company Nachspielzeit Marketing GmbH for EUR 5 thousand.

3.3 Overview of fully consolidated companies

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

Overview of fully consolidated companies as of December 31, 2018

	Registered office of the company	**Share of capital in %**	Covered period
Constantin Sport Holding GmbH*	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*	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*	Ismaning	**100.00**	1/1 to 12/31
Sport1 Media GmbH*	Ismaning	**100.00**	1/1 to 12/31
Magic Sports Media GmbH*	Ismaning	**100.00**	3/7 to 12/31
Match IQ GmbH	Hamburg	**50.1**	8/27 to 12/31
Event IQ GmbH	Hamburg	**50.1**	8/27 to 12/31

*Companies exercising the disclosure option pursuant to Section 264 (3) of the German Commercial Code (HGB).

4. Summary of significant and relevant accounting and valuation policies

The accounting and valuation as well as the preparation of the annual and consolidated financial statements were carried out in accordance with the going concern principle. As of the balance sheet date and in accordance with the planning for the 2019 financial year, the Constantin Medien Group had liquidity reserves and unutilized credit lines.

4.1 Principles of consolidation

All material subsidiaries are fully consolidated in the consolidated financial statements. Subsidiaries are companies which Constantin Medien AG directly or indirectly controls. Constantin Medien AG controls an investee if it has all the following characteristics:

– control over the investee,
– exposure, or rights, to variable returns from its involvement
– the ability to use its power over the investee to affect its returns.

Constantin Medien AG continuously assesses whether it controls an investee if facts and circumstances indicate that one or more of the three elements of control have changed.

If Constantin Medien AG has less than most of the voting rights or similar rights of the investee, Constantin Medien AG considers all relevant facts and circumstances in its assessment of whether it controls an investee, including the fact that Constantin Medien AG controls the investee:

– 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 can 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 companies are included in the consolidated financial statements if the Group controls the structured companies due to 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. Gains or losses arising from the revaluation shall be recognized in profit or loss. 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 shareholders of the parent company. Non-controlling interests are reported separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income and in the consolidated statement of financial position. The disclosure in the consolidated statement of financial position 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 statement of profit or loss. The gain or loss also contains the effects from the remeasurement of retained interests at fair value.

4.2 Currency translation

4.2.1 Functional currency

The functional currency of Constantin Medien AG and the reporting currency of the Group is the Euro. The local currency is the functional currency for most of the Group companies.

4.2.2 Valuation of foreign currency transactions and balances

Transactions in currencies that do not correspond to the functional currency of the respective Group company are recorded by the companies using the exchange rate valid on the transaction date. Monetary assets and liabilities are translated at the closing rate on the balance sheet date. Foreign exchange differences between the transaction and payment rates are recognized in other operating income or expenses if they relate to the operating business, otherwise translation differences are recognized in the financial result.

Exceptions to this are gains/losses on qualifying cash flow hedges and on monetary items that are part of the Group's net investment in a foreign operation from a business perspective. These gains/losses are recognized in other comprehensive income (OCI). Translation differences from non-monetary equity instruments measured at fair value through other comprehensive income (OCI) are also recognized in other comprehensive income (OCI).

4.2.3 Foreign currency translation in the Group

The statement of financial position items of foreign subsidiaries with a functional currency other than the Euro are translated using the functional currency concept at the middle rates on the balance sheet date and the items of the statement of profit or loss are translated at annual average rates. Goodwill carried in functional currencies other than the Euro and fair value adjustments from purchase price allocation are also translated at the closing rate. Resulting translation differences and differences arising from the translation of prior-year carryforwards are recognized directly in other comprehensive income (OCI).

When a foreign Group company is sold, cumulative translation differences resulting from the translation of the assets and liabilities of the consolidated company, which were recognized in other comprehensive income (OCI) of the Group, are recognized in the statement of profit or loss as part of the gain or loss on the sale of the company.

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 independent market participants would receive under normal market conditions on the valuation date if an asset were sold or a liability transferred (exit price). 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 & Poor's (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 considers 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 enough 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, 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 Revenues from contracts with customers

4.4.1 Revenue recognition from platforms

In principle, TV advertising revenues are realized when the corresponding advertising is broadcast for consumers. Rebates and commissions for advertising agencies are deducted directly from revenues. In principle, there are no financing components as the contracts with the advertising agencies are concluded for one year. The normal payment period is generally 30 days.

The marketing and invoicing of advertising revenues from the digital platforms are partly outsourced. This contract has a term of two years. However, since the sales settlements are made on a monthly basis and possible advance payments cover a maximum time horizon of three months, there is no financing component for this business. Revenue is recognized for each period using the output-oriented method based on the advertisements placed. Discounts and commissions are deducted directly from revenues.

Distribution revenues are recorded periodically using the output-oriented method (survey of services performed to date).

The Constantin Medien Group grants discounts in kind, i.e. free commercials in addition to paid commercials. The paid and free advertising spots are to be categorized as separate performance obligations. The transaction price is divided proportionally. Normally, the paid commercial is broadcast first; accordingly, the broadcasting of a paid commercial leads to a contractual obligation if the associated free commercial has not yet been broadcast.

When selling advertising space to media agencies, the Constantin Medien Group acts as principal since it is primarily responsible for the provision of the advertising space (program planning), bears the risk for compliance with media law regulations with regard to advertising broadcasting (e.g. compliance with the twelve-minute limit per hour and placement of advertising spots) and also has pricing authority.

Proceeds from barter transactions are recognized as revenue if the barter transactions are based on economic considerations and not on balance sheet considerations and if the parties involved are not in the same business line. For the measurement of the fair value of the non-cash consideration, the Constantin Medien Group applies the provisions of note 4.3 Fair value measurement. If the fair value cannot be reliably determined, the non-cash consideration is determined based on the fair value of the advertising time provided.

4.4.2 Revenue recognition from services

Revenues from production services and broadcasting are generally recognized on an over time basis using the output-oriented method. The stage of completion is recorded based on the programs produced or the duration of the program. The normal payment period is generally 30 days.

In the consulting area, revenues are generally recognized on an over time basis using the input-oriented method. The stage of completion is determined based on the costs incurred in relation to the budgeted costs. A contract asset is recognized up to the contractually agreed invoice date.

Annual lump-sum payments for ongoing consulting services to long-term contractual partners are recognized monthly on a pro rata temporis basis. Brokerage commissions for friendly matches are recognized on an over time basis. In the case of the brokerage of training camps for non current contractual partners, revenues are recognized on an over time basis using the input-oriented method. The stage of completion is determined based on the costs incurred in relation to the budgeted costs.

4.5 Income tax

Current taxes are calculated based on 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 income tax assets and liabilities are determined on a balance sheet basis (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 probable that the respective company is sufficiently likely to have a taxable income against which the temporary differences and unused tax loss carryforwards 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 statement of profit or loss, but also in equity.

No deferred tax liabilities were recognized on temporary differences in connection with shares in subsidiaries, provided it is probable that these temporary differences will not reverse in the foreseeable future and the Constantin Medien AG has the option of determining the time of reversal of the temporary differences.

4.6 Intangible assets

This category mainly comprises purchased software programs or licenses, internally generated intangible assets and intangible assets identified in the course of purchase price allocations, which are measured at cost less scheduled straight-line amortization and impairment losses. Further additional details can be found under the section impairment of non-financial assets (see note 4.9). Amortization of software is usually based on the operating life or the normal useful life of three to six years.

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

- Proof of technical feasibility of completion
- Intention of completion
- Possibility of future use
- Future economic benefit inflow
- 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.

The long-term customer contracts identified in the course of the purchase price allocations are reported under other intangible assets. The carrying amount corresponds to the fair value at the acquisition date less necessary amortization.

4.7 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.

4.8 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 equipment 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 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.

4.9 Impairment 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 at November 30 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 remaining 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 reversal of impairment amount is recognized in profit or loss up to a maximum of the theoretical amortized cost.

4.10 Financial instruments
IFRS 9 is limited to the following categories:

- Accounting at amortized cost on an effective interest basis (at amortized cost)
- Recognition at fair value through profit and loss (FVTPL)
- Recognition at fair value through other comprehensive income (FVTOCI)

In the categorization, IFRS 9 follows a two-pronged approach and distinguishes between subjective and objective conditions. On the one hand, the categorization depends on the business model of the company within which the financial instrument is held, and on the other hand on the character of the contractual cash flows of the financial instrument.

Financial assets and financial liabilities are generally not offset. They are only offset if there is a right of set-off with respect to the amounts at the present time and it is intended to settle them on a net basis.

4.10.1 Financial assets: debt instruments
Financial assets that are held within a business model that provides for holding the asset in order to collect the contractual cash flows are carried at amortized cost. These business models are managed based on the interest rate structure and the credit risk. Initial measurement is at fair value plus transaction costs. Subsequent measurement is at amortized cost based on the effective interest rate.

If the business model generally provides for the holding of assets, but sales are made if this is necessary, for example to cover a liquidity requirement, these assets are measured at fair value through other comprehensive income (FVTOCI). Initial measurement is at fair value plus transaction costs. Subsequent measurement is at fair value on the balance sheet date through other comprehensive income with recycling. Impairment losses, interest income and foreign currency gains are recognized in the statement of profit or loss. Financial assets whose cash flows do not consist exclusively of interest and principal payments, such as derivative financial instruments without hedging relationships, are measured at fair value through profit or loss (FVTPL). Initial measurement is at fair value without transaction costs. Subsequent measurement is at fair value on the balance sheet date through profit or loss.

4.10.2 Financial assets: equity instruments
Equity instruments are generally recognized at fair value through profit or loss. Initial measurement is at fair value without transaction costs. Subsequent measurement is at fair value on the balance sheet date through profit or loss.

For equity instruments that are not held for trading purposes, it is possible to make the irrevocable decision at initial recognition to measure them at fair value through other comprehensive income in subsequent periods and without the option of recycling (with changes in value recorded in other comprehensive income (FVTOCI)). However, these equity instruments may not be held for trading purposes. Constantin Medien AG applies this option for fair value measurement at the individual case level with no effect on income. Distributions or dividends from such instruments are recognized in the statement of profit or loss.

4.10.3 Financial liabilities
Financial liabilities held for trading (e.g. derivative financial instruments without hedging relationship) are measured at fair value with changes in value recognized in the statement of profit or loss (FVTPL).

All other financial liabilities are measured at amortized cost – unless Constantin Medien AG voluntarily designates them at fair value on initial recognition with changes in value recognized in the statement of profit or loss (fair value option). Low-interest and non-interest bearing non-current liabilities are stated at their present value at the time of acquisition and accrue interest on an accrual basis until maturity. Liabilities from outstanding invoices are reported under trade accounts payable and other liabilities. Non-current liabilities are measured using the effective interest method.

4.10.4 Impairment of financial assets (debt instruments measured at amortized cost)
The impairment model is based on expected credit losses applicable to financial debt instruments measured either at amortized cost or at fair value through other comprehensive income. The recognition of expected credit losses uses a three-step procedure for allocating allowances.

Level 1: In principle, all instruments must be allocated to level 1 upon initial recognition. For them, the present value of the expected payment defaults resulting from possible default events within the next 12 months after the balance sheet date must be recognized as expenses. Interest is recognized based on the gross carrying amount, i.e. the effective interest method must be based on the carrying amount before taking risk provisions into account.

Level 2: This includes all instruments that have a significant increase in default risk at the balance sheet date compared with the date of acquisition. Risk provisions must reflect the present value of all expected losses over the remaining term of the instrument. Interest is recognized based on the gross carrying amount, i.e. the effective interest method must be based on the carrying amount before taking risk provisions into account.

Significant indications of impairment include, among others:

- Significant deterioration in the expected performance and behavior of the debtor
- Significant deterioration in the credit quality of other instruments of the same borrower
- Actual or expected deterioration in the economic, financial, regulatory or technological circumstances relevant to the creditworthiness of the debtor

Level 3: If, in addition to a significant increase in the default risk on the balance sheet date, there is also objective evidence of impairment, the allowance for losses on loans and advances is also measured based on the present value of the expected losses over the remaining term. However, interest recognition must be adjusted in subsequent periods so that interest income in future is calculated based on the net carrying value, i.e. the carrying value after deduction of the provision for possible loan losses.

Objective evidence of impairment includes, but is not limited to, impairment losses:

- Serious financial difficulties of the issuer or debtor
- A breach of contract such as a default or delay in interest or principal payments
- An increased probability that the borrower will enter bankruptcy or other reorganization proceedings

The simplified procedure must always be applied to trade accounts receivable or contract assets that do not contain any significant financing components. The simplified procedure does not require changes in credit risk to be tracked. Instead, a provision for losses on loans and advances should be recognized for the entire term of the expected credit risk, both at initial recognition and at subsequent measurement. At the Constantin Medien Group, trade accounts receivable and contract assets are impaired 100 percent of the outstanding customer receivables if there are clear objective indications of impairment.

For the remainder of the portfolio, impairments are determined using a valuation allowance table that reflects expected future cash flows. Losses over the remaining term are determined as percentages depending on the length of the overdue period. These historical default rates are adjusted for current and forward-looking macroeconomic factors that affect the ability of customers to pay receivables. Constantin Medien AG has identified economic and interest rate developments in Germany as the most relevant factors and adjusts the historical default rates based on expected changes in these factors. The same impairment rates are applied to trade accounts receivable and contract assets as the credit risk is almost identical. Contract assets relate to work in progress not yet invoiced and essentially have the same risk characteristics as trade accounts receivable for the same contract types and represent a reasonable approximation of the loss rates for contract assets.

The item impairment losses/reversals of impairment losses on financial assets includes not only the addition of impairment losses but also the net income from the reversal of impairment losses.

Trade accounts receivable and contract assets are derecognized when it is reasonably assured that they will no longer be realized. These are reported under losses/gains from the derecognition of financial assets measured at amortized cost. Amounts previously written down in subsequent periods are recorded in the same item.

Cash and cash equivalents are also subject to the impairment provisions of IFRS 9. If the counterparties – banks and financial institutions – have a good rating or do not have going concern problems, no impairment losses are recognized due to their immateriality. Other financial receivables measured at amortized cost generally include creditors with debit balances, receivables from employees and other receivables not related to the realization of revenues. These other financial receivables are classified as „with a low default risk"; impairments are therefore limited to the expected 12-month credit losses. Management considers the risk of default to be „low" if there is an investment-grade rating (e.g. at least BBB- according to Standard & Poor's) or if the risk of non-performance is low and the counterparty is always able to meet its contractual payment obligations at short notice.

For long-term financial debt instruments, the expected losses are discounted to the reporting date using the effective interest rate of the instrument determined at inception to reflect the time value of money. The remaining term corresponds to the maximum contract term, i.e. considering possible extension options.

4.11 Provisions, contingent liabilities and contingent assets

Provisions are recognized for present legal or constructive obligations to third parties that originate in the past and for which it is probable that an outflow of resources will be required to settle the obligation. A further prerequisite for recognition is a reliable estimate of the amount of the obligation.

Provisions are measured at the amount of the expected cash outflow with the highest probability of occurrence. If the interest effect is material, non-current provisions are recognized at the present value of the expected cash outflow calculated using the current market interest rate.

Provisions for anticipated losses from pending transactions (provisions for anticipated losses) are recorded if the unavoidable costs of fulfilling a transaction are higher than the expected economic benefit. Before a provision is recognized, impairment losses are recognized on assets relating to the transaction.

Possible obligations whose existence (occurrence, non-occurrence) must be confirmed by future events, or obligations whose amount cannot be reliably estimated, are disclosed as contingent liabilities. Contingent assets are not capitalized but are disclosed in the same way as contingent liabilities if an economic benefit for the Group is probable.

4.12 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 7.10

5. Accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, contingent liabilities and contingent assets at the date of the financial statements. These estimates and assumptions are based on management's best estimate based on experience and other factors, including estimates of future events. The estimates and assumptions are reviewed on an ongoing basis. Changes to the estimates are necessary if the circumstances on which the estimates are based have changed or new information and additional findings are available. Such changes are recognized in the reporting period in which the estimate was adjusted.

The key assumptions about future developments and significant sources of estimation uncertainty that could require significant adjustments to the reported amounts of assets and liabilities and reported amounts of revenues, expenses and contingent liabilities over the next twelve months are described below.

5.1 Estimates used to identify the transaction price of revenues from contracts with customers

Certain contracts with customers at the Constantin Medien Group have variable consideration. In principle, however, the effective transaction prices are fixed in the preparation period of the financial statements and no estimates need to be made. However, it may occur that the variable consideration must be estimated using the probability-weighted expected value or the most probable amount - depending on which of the two values comes closest to the consideration due to the Constantin Medien Group. Even if the price is fixed but depends on future events (contingent on future events occurring or not occurring), such consideration is classified as variable at the Constantin Medien Group.

5.2 Impairment of non-financial assets

To assess whether an impairment exists, estimates are made of the expected future cash flows per cash-generating unit from the use and possible disposal of these assets. The estimates and assumptions rely on premises that are based on currently available knowledge.

5.3 Financial assets

The fair value of financial assets traded on organized markets is determined by the market price quoted on the valuation date. The fair value of financial assets for which there is no active market is determined using valuation methods. Valuation methods include the use of recent transactions between knowledgeable, willing parties in an arm's length transaction, comparison with the fair value of another financial instrument that is substantially the same, analysis of discounted cash flows and use of other valuation models based on management assumptions.

5.4 Impairment of financial assets (debt instruments)

The requirements for recognizing impairment losses on financial assets based on the expected loss model include significant judgments as to the extent to which expected credit losses will be affected by changes in economic factors. Financial assets must be divided into different risk classes in accordance with historical and future probabilities of default (for example, due to the general economic situation and its forecasts) and risk provisions must be recognized before default events occur. At the Constantin Medien Group, expected losses are defined as the weighted average of defaults or based on available non-group ratings, weighted by the respective probabilities of occurrence for the defaults. The estimates always consider the possibility of default and the possibility of nondefault, even if the most probable scenario is nondefault.

The cash and cash equivalents are invested with a German bank with a deposit rating of A- (rating from Standard & Poor's). The investments with this rating are considered safe. As there are currently no serious events affecting the economy or the industry as a whole, no impairment losses were recognized on cash and cash equivalents at this bank. Please refer to section 4.10.4 for additional information.

5.5 Provisions for litigations

The Group companies are exposed to various legal disputes. The Group currently assumes that the provisions will cover the risks. However, further lawsuits could be filed whose costs are not covered by the existing provisions. In addition, it cannot be ruled out that the extent, duration and costs of the legal disputes will increase. Such changes could have an impact on the provisions recognized in the statement of financial position for legal cases in future reporting periods.

5.6 Deferred tax

In order to determine deferred income tax assets and liabilities, far-reaching estimates must be made. Some of these estimates are based on the interpretation of existing tax laws and regulations. Management believes that the estimates are reasonable and that the uncertainties associated with income taxes have been adequately reflected in the reported amounts of assets and liabilities. Deferred tax assets from loss carryforwards that can be offset are dependent on future profits being generated. Deferred tax assets from valuation adjustments are also dependent on the future development of profits. In addition, in certain countries the losses to be offset expire over the years. Actual profits may differ from expected profits. Such changes may have an impact on deferred income tax assets and liabilities recognized in future periods.

5.7 Acquisition of Match IQ GmbH/purchase price allocation

When allocating the purchase price, it was assumed that the carrying amount of current assets and liabilities approximates their fair values. In addition, long-term cooperation agreements were identified as intangible assets in the purchase price allocation. The long-term cooperation agreements were measured using a discounted cash flow method. Only the fixed guaranteed amounts were considered. The possible variable remuneration had no influence on the calculation. In addition, it was assumed that the football clubs will play in the league in which they are in the 2018/2019 season over the entire term of the corresponding co-operation agreements, as the lump-sum remuneration varies depending on the league affiliation. Possible renewal options for the cooperation agreements were not considered; at the time of initial consolidation, only the fixed signed term of the agreements was considered. For reasons of materiality, the remaining non-current assets (EUR 26 thousand) were not revalued. In addition, no contingent liabilities from legal disputes were recognized, as the probability of occurrence according to internal and external lawyers is below 10 percent. In addition, an estimated EBIT margin of 20 percent on lump-sum payments and a mixed tax rate based on the Hamburg and Ismaning locations of 30.3 percent were assumed in the assessment of the cooperation agreements.

6. Notes to individual items of the consolidated statement of profit or loss

6.1 Revenues from contracts with customers

All revenues from contracts with customers in the reporting period were generated in the Sports division.

Revenues from contracts with customers by categories in EUR '000	1/1 to 12/31/2018	1/1 to 12/31/2017*
Platforms	**98,936**	106,395
Services	**20,142**	32,702
Film	–	65,049
Production services	–	35,271
Sport- and Event-Marketing	–	24,369
Total	**119,078**	263,786

Revenues from contracts with customers by timing of revenue recognition in EUR'000	1/1 to 12/31/2018	1/1 to 12/31/2017*
Transferred at a point in time	**70,477**	167,060
Transferred over time	**48,601**	96,726
Total	**119,078**	263,786

* The prior-year figures have not been restated in accordance with the transitional provisions of IFRS 15. Without the application of IFRS 15, i.e. applying IAS 18 or IAS 11, revenues from contracts with customers would not have changed significantly in the reporting period.

Revenues recognized in the current period from contracts with customers for services already rendered in previous periods amounted to EUR 1,771 thousand.

Revenues from contracts with customers expected to be recognized in EUR'000	12/31/2018
Due within one year	**28,532**
Due between one to five years	**12,614**
Due after five years	**0**
Total	**41,146**

The revenue expected to be recognized does not include any constrained variable consideration. Furthermore, revenues from contracts with customers with a maximum term of one year are not included.

6.2 Capitalized film production and other own work

Capitalized film productions and changes in inventories of TV service productions amount to EUR 0 thousand (previous year: EUR 66,713 thousand). The other own work capitalized in the amount of EUR 3,052 thousand (previous year: EUR 691 thousand) mainly relates to internally generated intangible assets in the digital sector.

6.3 Other operating income

Other operating income in EUR'000	1/1 to 12/31/2018	1/1 to 12/31/2017
Income from the reversal of provisions and accrued liabilities	**3,191**	5,168
Other operating income relating to other periods	**847**	320
Derecognition of liabilities	**395**	125
Income from recharges	**328**	299
Exchange gains	**97**	1,673
Negative difference from the acquisition of subsidiaries	**20**	–
Income from payment of damages and settlement agreements	**17**	11,592
Income from the disposal of fixed assets	**2**	35
Income from deconsolidation	**0**	38,273
Reversal of allowances	**–**	407
Income from rental and leasing	**0**	5
Miscellaneous other operating income	**2,042**	1,780
Total	**6,939**	59,677

Other operating income relating to other periods includes, among other things, withholding tax refunds from previous years in the amount of EUR 515 thousand.

Miscellaneous other operating income includes, among other things, non-recurring payments from the now concluded Kirch Media insolvency case amounting to EUR 1,422 thousand, reimbursements of advances on court costs amounting to EUR 255 thousand and many items that cannot be allocated to any of the items listed separately.

6.4 Cost of materials and licenses

Cost of materials and licenses in EUR'000	1/1 to 12/31/2018	1/1 to 12/31/2017
Licenses and commissions	**31,582**	34,297
Other cost of materials	**63**	7,386
Total licenses, commissions and materials	**31,645**	41,683
Production costs	**37,325**	115,923
Surplus guarantees in the Film Segment	**–**	6,706
Purchased services	**0**	555
Other purchased services	**0**	242
Total cost of purchased serviced	**37,325**	123,426
Total	**68,970**	165,109

6.5 Other operating expenses

Other operating expenses in EUR'000	**1/1 to 12/31/2018**	1/1 to 12/31/2017
Rent, repairs and maintenance	**5,252**	8,787
Adverting and travel expenses	**5,174**	7,260
Legal, consulting and audit costs	**4,526**	22,697
IT costs	**2,849**	4,073
Administrative expenses	**1,774**	2,458
Other personnel expenses	**786**	1,268
Insurance, contributions and charges	**665**	933
Vehicle costs	**528**	874
Exchange losses	**91**	1,689
Bank charges	**25**	75
Other operating expenses relating to other periods	**22**	138
Expenses from the disposal of fixed assets	**9**	49
Release and promotion expenses	**–**	3,538
Expenses for additions to allowance and derecognition of receivables	**–**	1,253
Miscellaneous other operating expenses	**875**	2,696
Total	**22,576**	57,788

Legal, consulting and audit costs include, among other things, the costs of auditing the consolidated financial statements and the individual financial statements, tax consultancy fees and costs from legal advice, including costs for ongoing legal proceedings and copyright infringements. The legal and consulting costs in the previous year were influenced by expenses of EUR 9,467 thousand for the management of the Formula 1 proceedings of KF 15 GmbH on the one hand and on the other hand by high legal and consulting costs for many ongoing legal proceedings.

Miscellaneous other expenses include many items that cannot be allocated to any of the items listed separately.

6.6 Impairment losses/reversals of impairment losses on financial assets

This item includes impairments on trade accounts receivable in the amount of EUR 632 thousand and reversals of impairment losses on trade accounts receivable in the amount of EUR 122 thousand.

6.7 Financial income

Financial income in EUR'000	**1/1 to 12/31/2018**	1/1 to 12/31/2017
Dividend equity instruments at FVTOCI	**1,066**	–
Exchange gains	**60**	3,171
Gains from changes of fair value of financial instruments	**45**	1,110
Dividend equity instruments at available-for-sale	**–**	7,353
Accretion of discount for receivables	**0**	1
Other interests and similar income	**6**	34
Total	**1,177**	11,669

The dividend income from equity instruments at FVTOCI includes the dividend from Highlight Communications AG in the amount of EUR 1,066 thousand.

6.8 Financial expenses

Financial expense in EUR'000	**1/1 to 12/31/2018**	1/1 to 12/31/2017
Interest expense from corporate bond	**1,505**	4,884
Exchange losses	**71**	2,204
Accretion of discount for liabilities and provisions	**9**	8
Expense from offsetting Highlight Communications share with Stella loan	**–**	3,198
Losses from changes in the fair value of financial instruments	**0**	2,902
Other interests and similar expenses	**49**	3,806
Total	**1,634**	17,002

Interest expense from corporate bond includes interest in the reporting period from January 1, 2018 to April 23, 2018.

6.9 Taxes

Taxes include income tax paid or owed in the individual countries as well as deferred taxes. Income tax consists of trade tax, corporate income tax, solidarity surcharge and the corresponding foreign income tax.

Taxes in EUR'000	1/1 to 12/31/2018	1/1 to 12/31/2017
Current tax		
Tax expenses for the current period	**-11**	-1,646
Adjustments for current tax of prior periods	**0**	17
Total current tax	**-11**	-1,629
Deferred tax		
Deferred tax income/expense in the reporting period	**90**	771
Impairment of deferred tax assets	**-1,198**	-1,450
Total deferred tax	**-1,108**	-679
Total	**-1,119**	-2,308

Tax reconciliation in EUR'000	1/1 to 12/31/2018	1/1 to 12/31/2017
Earnings before tax	**-3,269**	31,076
Expected tax at tax rate 27.375% (previous year 27.375%)	**895**	-8,507
Different tax rates	**8**	1,307
Reversal of impairment/impairment of deferred tax assets	**-1,198**	-1,385
Tax-exempt income	**251**	1,991
Permanent differences	**-285**	-307
Non-deductible expenses	**-432**	-1,987
Non-periodic income tax	**0**	17
Deconsolidation Highlight Communications AG	–	10,477
Other effects	**-28**	-1,051
Non-recognition of deferred tax	**-330**	-2,862
Actual taxes	**-1,119**	-2,307
Effective tax rate in percent	–	7,4

The impairment of deferred tax assets was made due to the complete elimination of the existing loss carryforwards at Constantin Medien AG. As a result, deferred tax assets on loss carryforwards from previous years in the amount of EUR 585 thousand and from the current year in the amount of EUR 613 thousand were reversed through profit or loss in the first quarter 2018 (see note 7.5).

7. Notes to individual items of the consolidated statement of financial position

7.1 Intangible assets and goodwill

Intangible assets and goodwill 2018 in EUR'000

	Intangible assets acquired through purchase	Internally generated intangible assets	Advance payments	**Total intangible assets**	**Goodwill**
Acquisition and production costs					
Balance at January 1, 2018	11,341	3,933	0	**15,274**	**8,786**
Change in the scope of consolidation	112	0	0	**112**	**0**
Exchange differences	0	0	0	**0**	**0**
Other additions	1,163	155	2,104	**3,422**	**3**
Disposals	173	0	0	**173**	**0**
Reclassifications	0	0	0	**0**	**0**
Balance at December 31, 2018	12,443	4,088	2,104	**18,635**	**8,789**
Accumulated amortization					
Balance at January 1, 2018	10,456	2,930	0	**13,386**	**79**
Change in the scope of consolidation	5	0	0	**5**	**0**
Exchange differences	0	0	0	**0**	**0**
Amortization in the financial year	617	573	0	**1,190**	**0**
Impairment	0	0	0	**0**	**0**
Disposals	173	0	0	**173**	**0**
Reclassifications	0	0	0	**0**	**0**
Balance at December 31, 2018	10,905	3,503	0	**14,408**	**79**
Net carrying amounts at December 31, 2018	**1,538**	**585**	**2,104**	**4,227**	**8,710**

Intangible assets and goodwill 2017 in EUR'000	Intangible assets acquired through purchase	Internally generated intangible assets	Advance payments	**Total intangible assets**	**Goodwill**
Acquisition and production costs					
Balance at January 1, 2017	61,724	5,866	916	**68,506**	**159,776**
Change in the scope of consolidation	-50,467	-2,137	0	**-52,604**	**-149,187**
Exchange differences	-33	0	0	**-33**	**-1,803**
Other additions	302	691	0	**993**	**0**
Disposals	185	1,403	0	**1,588**	**0**
Reclassifications	0	916	-916	**0**	**0**
Balance at December 31, 2017	11,341	3,933	0	**15,274**	**8,786**
Accumulated amortization					
Balance at January 1, 2017	32,077	4,112	0	**36,189**	**111,347**
Change in the scope of consolidation	-22,275	-2,137	0	**-24,412**	**-110,242**
Exchange differences	-33	0	0	**-33**	**-1,026**
Amortization in the financial year	857	1,189	0	**2,046**	**0**
Impairment	13	1,169	0	**1,182**	**0**
Disposals	183	1,403	0	**1,586**	**0**
Reclassifications	0	0	0	**0**	**0**
Balance at December 31, 2017	10,456	2,930	0	**13,386**	**79**
Net carrying amounts at December 31, 2017	885	1,003	0	**1,888**	**8,707**

In the statement of financial position as at December 31, 2018, a total of goodwill of EUR 8,710 thousand (previous year: EUR 8,707 thousand) is recognized. The material goodwill is allocated to the following cash-generating units:

Goodwill and assumptions for impairment test	**12/31/2018**	12/31/2017
SPORT1		
Goodwill in EUR '000	**8,684**	8,684
Planning period	**5 years**	5 years
Average organic sales growth	**0%**	-1%
Average EBITDA-margin	**10%**	10%
Long-term growth rate	**0%**	0%
Discount rate before tax	**8.04%**	8.04%

Goodwill is tested for impairment at the level of the cash-generating unit. The recoverable amounts correspond to the value in use. The value in use is determined using a discounted cash flow method. The forecasted cash flows are based on experience, current operating results and the best possible management estimates of future developments, as well as on externally published market assumptions. The CAPM method (Capital Asset Pricing Model) was used to determine the cost of capital.

The discount rates are determined based on a risk-free interest rate and a market risk premium. Beta factors, debt-equity ratio and borrowing costs are taken from a group of comparable companies (peer group). The peer group is subject to an annual review and is adjusted where necessary. The valuation date was November 30, 2018 (previous year: December 31, 2017).

Furthermore, the corporate planning was supplemented by alternative scenarios of the possible development of the Constantin Medien Group and these were also used for impairment testing purposes. Even the use of more conservative scenarios with respect to sales growth, discount factor and EBITDA margin did not result in a necessity for an impairment of goodwill at the level of the cash-generating units.

7.2 Property, plant and equipment

Property, plant and equipment 2018 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, 2018	9,810	51,491	6,038	3	**67,342**
Change in the scope of consolidation	0	0	79	0	**79**
Exchange differences	0	0	0	0	**0**
Other additions	474	6,603	1,692	12	**8,781**
Disposals	2,344	2,543	329	0	**5,216**
Balance at December 31, 2018	7,940	55,551	7,480	15	**70,986**
Accumulated depreciation					
Balance at January 1, 2018	9,537	48,198	5,216	0	**62,951**
Change in the scope of consolidation	0	0	54	0	**54**
Exchange differences	0	0	0	0	**0**
Depreciation in the financial year	230	2,034	615	0	**2,879**
Disposals	2,344	2,537	319	0	**5,200**
Balance at December 31, 2018	7,423	47,695	5,566	0	**60,684**
Net carrying amounts at December 31, 2018	**517**	**7,856**	**1,914**	**15**	**10,302**

Technical equipment and machinery include the following amounts for which the Constantin Medien Group is the lessee under a finance lease. The term is generally 60 months, whereby the non-cancellable term is 30 months. In this case, a termination in return for a compensation payment is possible.

Finance lease technical equipment and machinery in EUR'000		
	12/31/2018	12/31/2017
Acquisition costs	**1,242**	–
Accumulated depreciation	**52**	–
Net carrying amounts	**1,190**	–

The acquisition of these technical equipment and machinery is a non-cash investment activity.

Property, plant and equipment 2017 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, 2017	14,504	51,213	11,048	0	**76,765**
Change in the scope of consolidation	-4,675	0	-4,662	0	**-9,337**
Exchange differences	-84	0	57	0	**–27**
Other additions	74	854	1,099	3	**2,030**
Disposals	9	576	1,504	0	**2,089**
Balance at December 31, 2017	9,810	51,491	6,038	3	**67,342**
Accumulated depreciation					
Balance at January 1, 2017	13,484	46,497	7,562	0	**67,543**
Change in the scope of consolidation	-4,268	0	-1,962	0	**-6,230**
Exchange differences	-78	0	87	0	**9**
Depreciation in the financial year	408	2,267	968	0	**3,643**
Disposals	9	566	1,439	0	**2,014**
Balance at December 31, 2017	9,537	48,198	5,216	0	**62,951**
Net carrying amounts at December 31, 2017	**273**	**3,293**	**822**	**3**	**4,391**

7.3 Financial information of subsidiaries with material non-controlling interests

Material non-controlling interests in percent	Registered office	12/31/2018	12/31/2017
Match IQ GmbH and Event IQ GmbH	Hamburg	**49.90%**	–

Financial information (after intercompany elimination) in EUR'000	12/31/2018	12/31/2017
Equity attributable to non-controlling interests	**223**	–
	8/27 to 12/31/2018	1/1 to 12/31/2017
Earnings attributable to non-controlling interests	**-46**	–
Other comprehensive income attributable to non-controlling interests	**0**	–
Dividends paid to non-controlling interests	**0**	–

Financial information (before intercompany elimination) in EUR'000	12/31/2018	12/31/2017
Current assets	**1,183**	–
Non-current assets	**32**	–
Total assets	**1,215**	–
Current liabilities	**823**	–
Non-current liabilities	**0**	–
Total liabilities	**823**	–
Net assets	**392**	–
	8/27 to 12/31/2018	1/1 to 12/31/2017
Revenues	**386**	–
Earnings after tax	**-73**	–
Other comprehensive income after tax	**0**	–
Total comprehensive income	**-73**	–
Cash flows from operating activities	**-124**	–
Cash flows from investing activities	**-1**	–
Cash flows from financing activities	**-1**	–
Cash flows for the reporting period	**-126**	–

7.4 Other non-current financial assets

Other non-current financial assets in EUR:000		
	12/31/2018	12/31/2017
Investment Highlight Communications AG	**31,283**	105,060
Investment Geenee, Inc	**0**	0
Other investments	**9**	9
Total	**31,292**	105,069

On March 22, 2018, the Management Board, with the approval of the Group Financing Committee of the Supervisory Board, resolved to sell a total of 12,417,482 Highlight Communications AG shares at a price of 5.20 Euro per share with a total value of EUR 64,571 thousand to Highlight Event and Entertainment AG. The corresponding purchase agreement was signed by both parties on March 22, 2018. The gain from this sale in the amount of EUR 1,242 thousand before tax was recognized directly in other comprehensive income. The gain on the sale was reclassified from the reserve for equity instruments measured according to FVTOCI to retained earnings. In addition, a gain of EUR 372 thousand from the cumulative remeasurement at fair value was reclassified from the reserve for equity instruments to retained earnings.

Constantin Medien AG sold 2 million shares of Highlight Communications AG over-the-counter on April 19, 2018. The purchase price per share was set at 5.20 Euro. The proceeds and cash inflow thus amount to EUR 10,400 thousand and lead to a corresponding improvement in net liquidity. The profit from this sale in the amount of EUR -720 thousand before taxes was recognized directly in other comprehensive income. The proceeds from the sale were reclassified from the reserve for equity instruments valued in accordance with FVTOCI to retained earnings. In addition, a gain of EUR 980 thousand from the cumulative remeasurement at fair value was reclassified from the reserve for equity instruments to retained earnings.

All investments recognized at the balance sheet date are irrevocably recognized at fair value with changes in fair value through other comprehensive income (FVTOCI). These are strategic financial investments and Constantin Medien AG considers this classification to be more meaningful. In addition, valuation fluctuations have no impact on the earnings attributable to shareholders.

Constantin Medien AG holds 9.81 percent of Highlight Communications AG, Pratteln/Switzerland. Except for the dividend claim, Constantin Medien AG currently has no further rights from these shares. Sport1 GmbH holds 5 percent of Geenee Inc., Delaware/USA. In previous years, the financial difficulties of Geenee Inc. resulted in a complete impairment. There were no indications of a reversal of impairment in the reporting period. Other investments comprise two investments with a share of 1.0 percent and 5.556 percent, respectively.

7.5 Deferred tax assets

Deferred tax assets by maturity in EUR'000

	12/31/2018	12/31/2017
Current deferred tax assets	**10**	274
Non-current deferred tax assets	**0**	0
Total	**10**	274

Composition of deferred tax assets in EUR'000

	12/31/2018	12/31/2017
Losses carried forward	**641**	585
Intangible assets	**208**	188
Property, plant and equipment	**818**	1,107
Other financial assets	**17**	0
Trade accounts receivable and other receivables	**6**	0
Trade accounts payable and other liabilities	**62**	128
Provisions	**135**	394
Total	**1,887**	2,402
Offsetting with deferred tax liabilities	**-1,877**	-2,128
Net deferred tax assets	**10**	274

Deferred taxes were measured at the tax rates applicable in the individual countries at the time of realization or to be applied in the future.

On November 27, 2017, Highlight Communications AG and Studhalter Investment AG announced a voluntary public takeover offer to the shareholders of Constantin Medien AG. The takeover offer was successfully completed on February 5, 2018 and finalized on February 13, 2018 and 48.39 percent Constantin Medien AG shares of Highlight Communications AG and Studhalter Investment AG were tendered. Together with the 29.99 percent of Highlight Event and Entertainment AG in Constantin Medien AG, the Highlight group thus held a total of 78.38 percent of Constantin Medien AG until that date. At the Highlight group level, the shares held by Constantin Medien AG in the Highlight Communications AG is now classified as treasury shares in the consolidated financial statements in accordance with International Financial Reporting Standards. However, the dividend claim for the remaining Highlight Communications AG shares remains with Constantin Medien AG. Due to the attribution of the voting rights of Highlight Event and Entertainment AG to Highlight Communications AG following the completion of the takeover offer, the existing loss carryforwards at Constantin Medien AG were eliminated. As a result, deferred tax assets on the loss carryforwards from previous years in the amount of EUR 585 thousand and from the current year in the amount of EUR 613 thousand were reversed through profit or loss in the first quarter 2018.

In total, the Group had corporate tax loss carryforwards of EUR 7,219 thousand (previous year: EUR 629,727 thousand), trade tax loss carryforwards of EUR 5,397 thousand (previous year EUR 362,320 thousand) and foreign tax loss carryforwards of EUR 0 thousand (previous year: EUR 0 thousand) as at the balance sheet date for which no deferred tax assets were recognized.

7.6 Trade accounts receivable and other receivables

7.6.1 Trade accounts receivable

Trade accounts receivable in EUR'000	12/31/2018	12/31/2017
Financial trade accounts receivable		
Trade accounts receivable from third parties	**13,291**	15,479
Trade accounts receivable from related companies and persons	**52**	508
Lifetime expected credit loss (level 2)	**-16**	-127
Lifetime expected credit loss + credit impaired (level 3)	**-1,110**	-926
Total financial trade accounts receivable	**12,217**	14,934
Non-financial trade accounts receivable		
Receivables from barter transactions	**1,941**	4,041
Total non-financial trade accounts receivable	**1,941**	4,041
Total trade accounts receivable	**14,158**	18,975

Trade accounts receivable include receivables in CHF amounting to EUR 454 thousand (previous year: EUR 567 thousand).

Impairment losses 2018 in EUR'000	Lifetime expected credit loss (level 2)	Lifetime expected credit loss + credit impaired (level 3)	Impairment
Balance at January 1, 2018	127	926	
Retrospective change in accounting method due to IFRS 9	-88	0	
Adjusted balance at January 1, 2018	39	926	
Change in scope of consolidation	2	0	
Addition from increase in receivables volume	1	–	
Decrease due to reduction in receivables volume	-26	–	
Additions	–	632	
Usage	–	-350	
Reversals	–	-98	
Balance at December 31, 2018	**16**	**1,110**	
Balance at January 1, 2017			4,770
Change in scope of consolidation			-4,237
Exchange differences			-4
Additions			1,031
Usage			-107
Reversals			-400
Balance at December 31, 2017			**1,053**

Disclosure impairment for trade accounts receivable (level 2) in EUR'000

			Overdue in days				
12/31/2018	Determi-nation of assessment basis	of which: not overdue at the balance sheet date	less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
Financial trade accounts receivable, gross	13,343	9,744	2,403	209	224	288	475
Lifetime expected credit loss + credit impaired (level 3)	-1,110	-9	-213	-144	-139	-214	-391
Sales tax	-1,506	-1,197	-171	0	-35	-41	-62
Subtotal	**10,727**	**8,538**	**2,019**	**65**	**50**	**33**	**22**
Impairment rate in %		0.10%	0.20%	0.80%	2.17%	2.50%	6.13%
Lifetime expected credit loss (level 2)	**16**	**9**	**4**	**0**	**1**	**1**	**1**

Overview of maturities for financial trade accounts receivable in EUR'000

			Overdue in days				
	Carrying amount	Not overdue at the balance sheet date or impaired	less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
12/31/2017							
Financial trade accounts receivable	14,934	11,701	2,825	54	15	14	325

7.6.2 Other receivables

Other receivables (financial assets) in EUR'000					
	12/31/2018				
	Gross	Expected credit loss			Net
		Level 1	Level 2	Level 3	
Creditors with debit balances	220	0	0	0	220
Derivative financial instruments	43	0	0	0	43
Other financial assets	713	0	0	-307	406
Total	**976**	**0**	**0**	**-307**	**669**

	12/31/2017		
	Gross	Impairment	Net
Creditors with debit balances	63	0	63
Derivative financial instruments	0	0	0
Other financial assets	4,254	-307	3,947
Total	**4,317**	**-307**	**4,010**

Other receivables include receivables in CHF in the amount of EUR 0 thousand (previous year: EUR 503 thousand) and receivables in USD in the amount of EUR 299 thousand (previous year: EUR 968 thousand).

The other assets include a completely impaired amount of EUR 307 thousand from an insolvency case from 2001 that has not yet been concluded. Furthermore, the other financial assets essentially include a receivable from the EEG levy from an electricity grid operator amounting to EUR 239 thousand. Due to the A rating (Standard & Poor's), no impairment was considered.

Impairment losses on other receivables (financial assets) 2018 in EUR '000	Lifetime expected credit loss + credit impaired (level 3)
Balance at January 1, 2018	307
Balance at December 31, 2018	**307**

The impairment losses on other receivables continue to relate to an insolvency case that has not yet been concluded.

Overview of maturities for other receivables (financial assets) in EUR'000

			Overdue in days				
	Carrying amount	Of which: Not overdue at the balance sheet date or impaired	less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
12/31/2017							
Other financial receivables	**4,010**	**4,008**	**1**	**1**	**0**	**0**	**0**

Other non-financial receivables in EUR'000

	12/31/2018	12/31/2017
Prepaid expenses	**3,597**	9,876
Input tax	**208**	171
Other taxes	**0**	668
Advance payments	**0**	22
Other non-financial assets	**11**	18
Total	**3,816**	10,755

7.7 Contract assets

The contract assets mainly relate to services rendered but have not yet been or could not yet be invoiced.

Development of contract assets in EUR'000

Balance at January 1, 2018	**0**
First-time adoption of IFRS 15	**2,818**
Additions	**4,177**
Reclassification to trade accounts receivable	**-2,793**
Balance at December 31, 2018	**4,202**

For reasons of materiality, no impairment losses were recognized.

7.8 Cash and cash equivalents

As of the balance sheet date, cash and cash equivalents only included bank balances and cash in hand.

7.9 Equity

7.9.1 Subscribed capital

As of December 31, 2018, the fully issued and paid-up share capital of the Group parent company Constantin Medien AG totaled EUR 93,600,000 (previous year: EUR 93,600,000), divided into 93,600,000 (previous year: 93,600,000) no-par value bearer shares with a proportionate amount of share capital of EUR 1.00 per share.

7.9.2 Non-controlling interests

As of December 31, 2018, non-controlling interests in fully consolidated subsidiaries amounted to EUR 223 thousand (previous year: EUR 0 thousand). There are no material restrictions on the Group's access to the assets of subsidiaries.

7.9.3 Capital reserve

Capital reserves generally include premiums from the issue of shares. Due to the offsetting of the capital reserve in the amount of EUR 176,476 thousand against the retained earnings at Constantin Medien AG in the 2016 financial year, a negative capital reserve currently results.

7.9.4 Other reserves

In the reporting period, a reserve for shares in a controlling company in the amount of the carrying value of the Highlight Communications AG investment (EUR 31,284 thousand) was reclassified from retained earnings. This relates to a reclassification within equity (from retained earnings to other reserves). In addition, the reserve cannot be distributed as a dividend.

7.9.5 Accumulated other components of equity/currency translation differences

Translation differences from the translation of the functional currency of foreign subsidiaries into the reporting currency of the Group are recognized directly in other comprehensive income in the consolidated financial statements and are accumulated in the reserve currency translation differences. In the event of the sale or loss of control of a foreign subsidiary, its cumulative foreign currency differences are reversed through profit or loss when determining the gain or loss on disposal.

7.9.6 Accumulated other components of equity/remeasurement of equity instruments

Remeasurement of equity instruments that are irrevocably recognized at fair value through other comprehensive income are recognized directly in other comprehensive income in the consolidated financial statements and accumulated in the reserve for remeasurement of equity instruments. When these equity instruments are sold, their cumulative measurement gains and losses are reclassified to retained earnings within equity.

7.9.7 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.

7.9.8 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.

7.9.9 Treasury shares

As of December 31, 2018, the balance of directly and indirectly held non-voting treasury shares amounted to 162 Constantin Medien shares with a fair value of EUR 308 (2016: 162 shares; fair value of EUR 373). The Company does not have any rights whatsoever in connection with the treasury shares.

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.

7.9.10 Tax effects other comprehensive income

The tax effects of changes in other comprehensive income in the reporting period are as follows:

Income and expenses recognized in other comprehensive income 2018 in EUR'000

January 1, to December 31, 2018	Before tax	Tax effect	After tax
Unrealized gains/losses from currency translation	11	0	11
Items that may be reclassified into the statement of profit or loss in subsequent periods	11	0	11
Gains/losses from remeasurement of equity instruments	1,195	186	1,381
Items that will not be reclassified into the statement of profit or loss in subsequent periods	1,195	186	1,381
Income and expenses recognized in other comprehensive income	**1,206**	**186**	**1,392**

Income and expenses recognized in other comprehensive income 2017 in EUR'000

January 1, to December 31, 2017	Before tax	Tax effect	After tax
Unrealized gains/losses from currency translation	-1,459	0	-1,459
Reclassification of realized gains/losses from currency translation to the statement of profit or loss	-9,489	0	-9,489
Reclassification of realized net gains/losses from a net investment hedge to the statement of profit or loss	287	-79	208
Unrealized gains/losses of change in the fair value of available-for-sale financial assets	458	-125	333
Reclassification of realized gains/losses from the change in the fair value of available-for-sale financial assets to the statement of profit or loss	160	-44	116
Unrealized gains/losses from cash flow hedges	-496	63	-433
Reclassification of realized gains/losses from cash flow hedges to the statement of profit or loss	1,793	-180	1,613
Items that may be reclassified into the statement of profit or loss in subsequent periods	-8,746	-365	-9,111
Result from remeasurement of defined benefit pension plans	577	-111	466
Items that will not be reclassified into the statement of profit or loss in subsequent periods	577	-111	466
Income and expenses recognized in other comprehensive income	**-8,169**	**-476**	**-8,645**

7.9.11 Capital management disclosures

The objective of Constantin Medien AG is to increase the capital made available to the Company by the capital market and to generate an appropriate return for the shareholders. For this purpose, Constantin Medien AG uses the equity by acquiring investments and financing their as well as its own operating business. Furthermore, Constantin Medien AG can resolve a dividend payment, repay capital to the shareholders, issue new shares or sell assets for the purpose of reducing debts. In doing so, changes in the macroeconomic conditions as well as risks from the underlying business activities are considered. The management's goal is to efficiently deploy its own and external capital in order to ensure financial flexibility based on a solid capital structure and to ensure enough liquidity. Liquidity consists of inflows from operating activities, available cash and cash equivalents and available borrowings.

In addition to equity, borrowings can also be used in Group financing to increase the profitability of equity. To ensure this goal, a profitability calculation is prepared for every major investment. The method used here is generally based on a present value method (DCF), which in most cases uses the weighted average cost of capital (WACC) method. The aim is to provide methodological support to ensure that the capital employed increases value.

The liquidity of the Constantin Medien Group is controlled centrally by Constantin Medien AG. In addition to a liquidity report and liquidity planning to assess the liquidity status, Constantin Medien AG mainly uses the indicator net liquidity and net debt, defined as current and non-current financial liabilities less cash and cash equivalents, to monitor the liquidity position.

Net liquidity/net debt in EUR'000

	12/31/2018	12/31/2017
Cash and cash equivalents	**13,438**	20,845
Current financial liabilities	**218**	63,870
Non-current financial liabilities	**829**	0
Net liquidity/net debt	**12,391**	-43,025

The equity management of Constantin Medien AG comprises all statement of financial position items of equity, whereby the treasury shares held are to be deducted. In addition, Constantin Medien AG monitors all debt items as part of Group management.

7.9.12 Credit lines

As of the balance sheet date, the Constantin Medien Group had a working capital credit line in the amount of EUR 7,000 thousand (previous year: EUR 0 thousand) and guarantee lines in the amount of EUR 7,000 thousand (previous year: EUR 21,180 thousand). For the two credit lines, a total of 4,000,000 Highlight Communications AG shares with a carrying amount of EUR 20,240 thousand (previous year: 3,847,220 Highlight Communications AG shares with a carrying amount of EUR 19,621 thousand) were pledged as of December 31, 2018. No financial ratios must be complied for the borrowed funds.

The working capital credit line is valid until further notice and therefore has an indefinite term. Constantin Medien AG may terminate the entire business relationship or individual business relationships at any time without notice. Commerzbank AG may terminate the unused part of the line at any time without observing a period of notice with a reasonable period for the reversal; the bank may terminate the used part of the line for important reasons (there is no link between termination of the unused line and the used line).

7.10 Share-based payments

The variable remuneration of the former 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

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

Highlight Communications AG shares

	Quantity	Issue price
	500,000	EUR 5.00

The stock appreciation rights place the former Chief Executive Officer Fred Kogel in such a legal way as if he would own the options to the shares of the 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. Therefore, the exercise period began on October 1, 2017. Constantin Medien AG reserves the right, instead of paying out the difference amounts to deliver several 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.

Quantity and weighted average exercise price of the stock appreciation rights

	2018 Constantin Medien AG		2017 Constantin Medien AG	
	Quantity of stock appreciation rights	Weighted average exercise prices in EUR	Quantity of stock appreciation rights	Weighted average exercise prices in EUR
Outstanding at January 1	666,666	2.30	1,000,000	2.13
Issued	0	0.00	0	0.00
Exercised	333,333	2.10	333,334	1.80
Expired	0	0.00	0	0.00
Forfeited	0	0.00	0	0.00
Outstanding at December 31	**333,333**	**2.50**	**666,666**	**2.30**

	2018 Highlight Communications AG		2017 Highlight Communications AG	
	Quantity of stock appreciation rights	Weighted average exercise prices in EUR	Quantity of stock appreciation rights	Weighted average exercise prices in EUR
Outstanding at January 1	500,000	5.00	500,000	5.00
Issued	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	**500,000**	**5.00**	**500,000**	**5.00**

As of September 30, 2017, the waiting period has expired. Since then, the 2-year exercise period has been in effect for all stock appreciation rights. The exercise can be carried out monthly on the 15th calendar day. On November 15, 2017, the former Chief Executive Officer Fred Kogel exercised 333,334 stock appreciation rights at an issue price of EUR 1.80 (EUR 90 thousand) and on February 15, 2018 333,333 stock appreciation rights at an issue price of EUR 2.10 (EUR 46 thousand).

The fair value of the stock appreciation rights exercised corresponds to the average stock market price of the respective stock in the daily closing auction of XETRA trading over a period of three months prior to the exercise date. The fair value of the stock appreciation rights granted but not yet exercised in the reporting period was determined using the following factors:

Disclosures about the valuation of the stock appreciation rights

	2018 Constantin Medien AG	**2017 Constantin Medien AG**
Option pricing model	**Binomial model**	Binomial model
Expected volatility	**21.10%**	30.06%
Expected dividend yield	**0.00%**	0.00%
Expected option life	**0.75 years**	0.3 years
Risk-free interest rate	**-0.68%**	-0.65%
Exercise price in EUR	**2.50**	2.50
Weighted average exercise price in EUR	**2.50**	2.50

	2018 Highlight Communications AG	**2017 Highlight Communications AG**
Option pricing model	**Binomial model**	Binomial model
Expected volatility	**19.83%**	21.90%
Expected dividend yield	**3.55%**	2.46%
Expected option life	**0.75 years**	0.3 years
Risk-free interest rate	**-0.68%**	-0.65%
Exercise price in EUR	**5.00**	5.00
Weighted average exercise price in EUR	**5.00**	5.00

In the reporting year, income of EUR 26 thousand (previous year: EUR 213 thousand income) was accounted for by share-based payment. The carrying amount of the liabilities from share-based payments as of December 31, 2018, was EUR 257 thousand (previous year: EUR 283 thousand). All claims of Mr Fred Kogel from the stock appreciation rights are in legal clarification and have not yet been paid.

7.11 Non-current financial liabilities

Non-current financial liabilities at the balance sheet date relate exclusively to liabilities from finance leases, which still approximate fair values.

7.12 Deferred tax liabilities

Deferred tax liabilities by maturity in EUR'000

	12/31/2018	12/31/2017
Current deferred tax liabilities	**88**	0
Non-current deferred tax liabilities	**1,445**	846
Total	**1,533**	846

Composition of deferred tax liabilities in EUR'000

	12/31/2018	12/31/2017
Intangible assets	**3,128**	2,556
Other financial assets	**0**	169
Trade accounts receivable and other receivables	**37**	0
Financial liabilities	**0**	21
Trade accounts payable and other liabilities	**1**	39
Contract liabilities	**244**	0
Provisions	**0**	189
Total	**3,410**	2,974
Offsetting with deferred tax assets	**-1,877**	-2,128
Net deferred tax liabilities	**1,533**	846

7.13 Current financial liabilities

Current financial liabilities in EUR'000

	12/31/2018	12/31/2017
Corporate bond 2013/2018	**0**	63,870
Finance leases	**204**	0
Liabilities to banks	**14**	0
Total	**218**	63,870

On April 23, 2018, Constantin Medien AG repaid the outstanding corporate bond 2013/2018 plus interest totaling EUR 69,550 thousand on schedule. On April 23, 2018, retained portions of the corporate bond 2013/2018 in the amount of EUR 1,000 thousand were transferred back to Constantin Medien AG.

Maturity of obligations from finance leases in EUR'000

	12/31/2018
Due within one year	**231**
Due within one to five years	**877**
Due after five years	**0**
Total minimum lease payments	**1,108**
Financial expenses in subsequent periods	**-75**
Recognized as a liability	**1,033**

Present value of liabilities from finance leases in EUR'000

	12/31/2018
Due within one year	**204**
Due within one to five years	**829**
Due after five years	**0**
Total	**1,033**

7.14 Trade accounts payable and other liabilities

7.14.1 Trade accounts payable

Trade accounts payable in EUR'000		
	12/31/2018	12/31/2017
Financial trade accounts payable		
Trade accounts payable to third parties	**3,736**	9,960
Trade accounts payable to related companies and persons	**69**	286
Outstanding invoices	**7,163**	11,514
Total financial trade accounts payable	**10,968**	21,760
Non-financial trade accounts payable		
Liabilities from barter transactions	**281**	730
Total non-financial trade accounts payable	**281**	730
Total trade accounts payable	**11,249**	22,490

The trade accounts payable shown are not collateralized, apart from the retention of title customary in the industry. They are mainly related to licensing and services. Overall, trade accounts payable do not bear interest and are due in the short term, so that the carrying amount of financial trade accounts payables almost corresponds to their fair value.

Trade accounts payable include liabilities in CHF of EUR 616 thousand (previous year: EUR 845 thousand) and liabilities in USD of EUR 4 thousand (previous year: EUR 574 thousand).

7.14.2 Other liabilities

Other financial liabilities in EUR'000	12/31/2018	12/31/2017
Commissions and licenses	**3,334**	5,968
Financial liabilities to personnel	**2,013**	1,951
Customers with credit balances	**464**	197
Current interest liabilities	**0**	3,105
Derivative financial instruments	**0**	37
Miscellaneous other financial liabilities	**91**	97
Total	**5,902**	11,355

Other non-financial liabilities in EUR'000	12/31/2018	12/31/2017
Non-financial liabilities to personnel	**1,027**	1,053
Other taxes and social security contributions	**933**	1,212
Liabilities from sales tax	**333**	643
Deferred income	**0**	1,599
Total	**2,293**	4,507

Other liabilities include liabilities in USD amounting to EUR 55 thousand (previous year: EUR 0 thousand).

7.15 Contract liabilities

Development of contract liabilities in EUR'000	
Balance at 1/1/2018	0
First-time adoption IFRS 15	2,347
Change in scope of consolidation	81
Additions	1,366
Usage due to service provision*	-1,038
Balance at 12/31/2018	2,756

* from contract liabilities recognized at the beginning of the period

The contact liabilities generally relate to consideration already received from customers for whom the Constantin Medien Group has not yet fulfilled its obligations. Contract liabilities include in particular liabilities for discounts in kind. The line usage due to service provision relates to revenues recognized in the reporting period which were included in the balance of contract liabilities at the beginning of the period.

7.16 Reconciliation of liabilities from financing activities

Reconciliation of liabilities from financing activities 2018 in EUR'000

			Non-cash changes				
	Balance at 1/1/2018	Cash flows	Compounding	Change in scope of consolidation	New liabilities from financial leases	Reclassification	Balance at 12/31/2018
Current financial liabilities	63,870	-64,217	130	15	362	58	218
Non-current financial liabilities	0	0	7	0	880	-58	829
Total financial liabilities	**63,870**	**-64,217**	**137**	**15**	**1,242**	**0**	**1,047**

Reconciliation of liabilities from financing activities 2017 in EUR'000

			Non-cash changes				
	Balance at 1/1/2017	Cash flows	Foreign exchange differences	Compounding	Change in scope of consolidation	Reclassification	Balance at 12/31/2017
Current financial liabilities	48,750	18,979	-560	307	-67,169	63,563	63,870
Non-current financial liabilities	63,466	0	0	97	0	-63,563	0
Total financial liabilities	**112,216**	**18,979**	**-560**	**404**	**-67,169**	**0**	**63,870**

7.17 Provisions

Provisions in EUR'000	Provisions for litigation risks	Personnel provisions	Provisions for warranties and other obligations	Other provisions	**Total**
Balance at 1/1/2018	2,243	2,205	980	3,415	8,843
Usage	1,153	547	0	2,208	3,908
Reversal	174	201	6	324	705
Reclassification	0	0	0	-748	-748
Additions	736	951	94	584	2,365
Balance at 12/31/2018	**1,652**	**2,408**	**1,068**	**719**	**5,847**
thereof non-current	0	0	0	0	0

Provisions for litigation risks have been established to provide for various pending and threatened litigation. Please refer to the risk report in the management report (page 66) for the current status of the main proceedings. It is expected that various court hearings will take place in the 2019 financial year.

Provisions for personnel include the risk from any future obligations arising from the termination of employment contracts in the amount of EUR 1,876 thousand (previous year: EUR 1,673 thousand), of which EUR 647 thousand for the restructuring of PLAZAMEDIA GmbH. The restructuring provision is expected to be utilized within the first six months after the balance sheet date. The expenses for defined contribution plans (including state plans) recognized in income in the reporting year amounted to EUR 2,380 thousand (previous year: EUR 4,867 thousand).

Other provisions include provisions for onerous contracts amounting to EUR 441 thousand (previous year: EUR 834 thousand), which will be used within the next twelve months.

8. Disclosures on financial risk management

8.1 Financial instruments by classes

The following table presents the carrying amounts and fair values of financial instruments by classes and a breakdown into the various categories of financial instruments in accordance with IFRS 9 as of December 31, 2018 and IAS 39 as of December 31, 2017.

Disclosures in accordance with IFRS 7: Financial instruments by classes in EUR'000

				Valuation basis statement of financial position according to IFRS 9			
	Classification category according to IFRS 9	Carrying amount 12/31/2018	Of which not IFRS 7 relevant	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	**Fair Value 12/31/2018**
Assets							
Cash and cash equivalents	AC	**13,438**		13,438			**13,438**
Trade accounts receivable	AC	**14,158**	-1,941	12,217			**12,217**
Contract assets	w.c.	**4,202**	-4,202				–
Other receivables (current)							
Financial assets at fair value	FVPL	**43**				43	**43**
Other receivables	AC	**4,442**	-3,816	626			**626**
Other financial assets (non-current)							
Financial assets at fair value (equity instruments)	FVOCI	**31,292**			31,292		**31,292**
Liabilities							
Financial liabilities (current and non-current)	AC	**1,047**		1,047			**1,047**
Trade accounts payable (current and non-current)	AC	**11,249**	-281	10,968			**10,968**
Contract liabilities	w.c.	**2,756**	-2,756				–
Other liabilities (current and non-current)							
Financial liabilities measured at amortized cost	AC	**8,280**	-2,293	5,987			**5,987**

Note: w.c. = without category

Disclosures in accordance with IFRS 7: Classes as of December 31, 2017 in EUR'000

	Category according to IAS 39	Carrying amount 12/31/2017	Of which not IFRS 7 relevant	Valuation basis statement of financial position according to IAS 39: (Amortized) at cost	Valuation basis statement of financial position according to IAS 39: Fair value through other comprehensive income	Valuation basis statement of financial position according to IAS 39: Fair value through profit or loss	**Fair Value 12/31/2017**
Assets							
Cash and cash equivalents	LaR	20,845		20,845			**20,845**
Trade accounts receivable	LaR	18,467	-4,041	14,426			**14,426**
Receivables due from associated companies (current and non-current)	LaR	56		56			**56**
Other receivables (current)							
Miscellaneous other receivables (current)	LaR	15,273	-10,755	4,518			**4,518**
Other financial assets (non-current)							
Available-for-sale financial assets	AfS	105,069		9	105,060		**105,060**
Liabilities							
Financial liabilities (current and non-current)	OL	63,870		63,870			**64,320**
Trade accounts payable	OL	22,204	-730	21,474			**21,474**
Other liabilities (current and non-current)							
Financial liabilities measured at amortized cost	OL	16,194	-4,506	11,688			**11,688**
Financial liabilities at fair value through profit or loss	FLPL	37				37	**37**

Disclosures in accordance with IFRS 7: Aggregated by categories in EUR'000

	Classification category according to IFRS 9	Carrying amount 12/31/2018	Of which not IFRS 7 relevant	Valuation basis statement of financial position according to IFRS 9: Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	**Fair Value 12/31/2018**
Assets							
Financial assets measured at amortized cost	AC	32,038	-5,757	26,281			**26,281**
Financial assets measured at fair value (debt instruments)	FVPL	43				43	**43**
Financial assets measured at fair value (equity instruments)	FVOCI	31,292			31,292		**31,292**
Liabilities							
Financial liabilities measured at amortized cost	AC	20,576	-2,574	18,002			**18,002**

Disclosures in accordance with IFRS 7: Aggregated by categories in EUR'000

	Category according to IAS 39	Carrying amount	Of which not IFRS 7 relevant	Valuation basis statement of financial position according to IAS 39: (Amortized) at cost	Fair value through other comprehensive income	Fair value through profit or loss	**Fair Value**
12/31/2017							
Aggregated by categories							
Loans and receivables	LaR	54,641	-14,796	39,845			**39,845**
Available-for-sale financial assets	AfS	105,069		9	105,060		**105,060**
Financial liabilities measured at amortized cost	OL	102,268	-5,236	97,032			**97,482**
Financial liabilities at fair value through profit or loss	FLPL	37				37	**37**

8.2 Offsetting

In the case of derivative financial instruments, all existing derivatives with positive or negative fair values are offset in accordance with the contractual agreements in the event of insolvency and only a receivable or liability remains in the amount of the balance. Since offsetting is only legally enforceable in the event of insolvency and the Group currently has no legal right to offset the amounts, nor does it intend to settle on a net basis, the derivative financial instruments are reported gross in the consolidated statement of financial position. Cash and cash equivalents and financial liabilities are reported net if there is an unconditional and legally enforceable right to set off and there is an intention to settle on a net basis. The following tables provide an overview of the offsetting transactions that have been affected or contractually agreed:

Offsetting at December 31, 2018 in EUR'000

Offsetting of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position	**Net amount**
Financial assets at fair value through profit or loss	43	0	43	0	**43**
Cash and cash equivalents	13,438	0	13,438	0	**13,438**
Total	13,481	0	13,481	0	**13,481**

Offsetting of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position	**Net amount**
Financial liabilities (current and non-current)	1,047	0	1,047	0	**1,047**
Total	1,047	0	1,047	0	**1,047**

Offsetting at December 31, 2017 in EUR'000

Offsetting of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabil-ities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position	Net amount
Receivables due from associated companies (current and non-current)	56	0	56	0	**56**
Cash and cash equivalents	20,845	0	20,845	0	**20,845**
Total	20,901	0	20,901	0	**20,901**

Offsetting of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the state-ment of finan-cial position	Net amounts of financial liabilities presented in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Net amount
Financial liabilities at fair value through profit or loss	37	0	37	0	**37**
Financial liabilities (current and non-current)	63,870	0	63,870	0	**63,870**
Total	63,907	0	63,907	0	**63,907**

8.3 Net results from financial instruments

The net results of the respective categories of financial instruments according to IFRS 9 for the reporting period are shown in the following overview:

Net results of the classes in accordance with IFRS 7 in EUR'000

2018	From interest	From subsequent measurement			Others	Net result
		Change in fair value	Currency translation	Impairment		
Financial assets measured at amortized cost (AC)	1		98	-515		**-416**
Financial investments in equity instruments, measured at fair value through other comprehensive income (FVTOCI)		1,194			1,066	**2,260**
Financial assets measured at fair value through profit or loss (FVPL)		45				**45**
Financial liabilities measured at amortized cost (AC)	-1,562		-103		2,887	**1,222**

The net results of the respective categories of financial instruments in accordance with IAS 39 for the prior-year period are shown in the table below:

Net results of the classes in accordance with IFRS 7 in EUR'000

2017	From interest	From subsequent measurement			Others	Net result
		Change in fair value	Currency translation	Impairment		
Loans and receivables (LaR)	27		117	-846		**-702**
Available-for-sale financial assets (AfS)		-2,740			7,353	**4,613**
Financial assets, measured at fair value through profit of loss (FVPL)		-565				**-565**
Financial liabilities (OL)	-8,605		834		4,303	**-3,468**
Financial liabilities, measured at fair value through profit of loss (FLPL)		-1,227				**-1,227**

Expenses from impairments on loans and receivables (LaR) also include income from reversal of impairments. Other financial liabilities mainly include effects from the reversal of accrued liabilities.

8.4 Management of financial risks

The Group is exposed to various financial risks arising from its operating and financing activities of the Group. Financial risks can be broken down into 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 based on standardized risk reports and reported to the Management Board of Constantin Medien AG based on a risk management guideline applicable to the entire Group. The identification, assessment and hedging of financial risks are performed in close cooperation with the operating companies of the Group.

8.4.1 Liquidity risks

A liquidity risk is the risk that the future payment obligations in the Group cannot be covered by existing liquidity or corresponding credit lines. In order to limit this risk, suitable processes exist within the Constantin Medien Group in which cash inflows and outflows as well as maturities are continuously monitored and controlled.

Constantin Medien AG sold 2 million shares of Highlight Communications AG off-the-counter on April 19, 2018. The purchase price per share was set at 5.20 Euro and was within the valuation range of a valuation opinion prepared by a renowned corporate finance consulting firm. The proceeds and liquidity inflow amounted to EUR 10,400 thousand. Constantin Medien AG thus secures the current financing of the company and closes the liquidity risks mentioned in the annual report 2017. After the sale, the Company still holds a further 6,182,518 shares in Highlight Communications AG, of which 4,000,000 shares are pledged for the working capital credit line in the amount of EUR 7,000 thousand and for guarantee lines in the amount of EUR 7,000 thousand. After the repayment of the bond, the Company is free of debt on the statement of financial position and will have enough free liquidity reserves in the future.

The tables on liquidity risks show the maturity structure of primary financial liabilities and an analysis of cash outflows from derivative financial liabilities and assets. These are undiscounted cash flows.

Liquidity risk at December 31, 2018 in EUR'000

		Cash flow 2019			Cash flow 2020		
12/31/2018	Carrying amount	Interest fix	Interest variable	Redemption	Interest fix	Interest variable	Redemption
Primary financial liabilities							
Liabilities to banks	14			14			
Liabilities from finance leases	1,033			231			231
Other non-interest-bearing financial liabilities	16,955			16,955			
Derivative financial assets							
Derivatives without a hedging relationship	43			1,655			
Derivative financial liabilities							
Derivatives without a hedging relationship							

		Cash flow 2021–2023			Cash flow 2024–2028		
12/31/2018	Carrying amount	Interest fix	Interest variable	Redemption	Interest fix	Interest variable	Redemption
Primary financial liabilities							
Liabilities to banks	14						
Liabilities from finance leases	1,033			646			
Other non-interest-bearing financial liabilities	16,956						
Derivative financial assets							
Derivatives without a hedging relationship	43						
Derivative financial liabilities							
Derivatives without a hedging relationship							

Liquidity risk at December 31, 2017 in EUR'000

		Cash flow 2018			Cash flow 2019		
12/31/2017	Carrying amount	Interest fix	Interest variable	Redemp-tion	Interest fix	Interest variable	Redemp-tion
Primary financial liabilities							
Financial liabilities	63,870	4,480		64,000			
Other non-interest-bearing financial liabilities	33,162			33,162			
Derivative financial liabilities							
Derivatives without a hedging relationship	37			1,037			
Derivative financial assets							
Derivatives without a hedging relationship							

		Cash flow 2020–2022			Cash flow 2023–2027		
12/31/2017	Carrying amount	Interest fix	Interest variable	Redemp-tion	Interest fix	Interest variable	Redemp-tion
Primary financial liabilities							
Financial liabilities	63,870						
Other non-interest-bearing financial liabilities	33,162						
Derivative financial liabilities							
Derivatives without a hedging relationship	37						
Derivative financial assets							
Derivatives without a hedging relationship							

In general, Constantin Medien AG is responsible for the disposition of liquid funds, including the short-term investment of liquidity surpluses as well as the procurement of loans to bridge any liquidity bottlenecks that may arise. Constantin Medien AG supports its subsidiaries and partially acts as a coordinator with the banks in order to obtain the most cost-effective coverage possible for its financial requirements. In addition, the creditworthiness of the Group enables an efficient utilization of the credit markets for financing activities. This also includes the ability to issue equity and debt instruments on the capital market. It should be noted that various investment projects and other financing activities, in particular the acquisition of shares in other companies, may have different effects on liquidity over time.

Borrowing through the capital market or banks may be necessary both to refinance existing liabilities and to finance new projects. Larger investments in new technology and equipment are also financed by means of a sale and lease back if required.

As of the balance sheet date, the Constantin Medien Group had liquidity reserves and unutilized credit lines as planned for the 2019 financial year. Nevertheless, it cannot be ruled out that existing guarantee or credit line agreements may be terminated or no longer extended by individual banks, with the result that the Constantin Medien Group could be forced in the short to medium term to raise further borrowed capital via the capital market or banks to finance new projects, even if free working capital lines are taken into account. Therefore, if the liquidity reserves are raised, there is a risk that in the event of a deterioration of the economic situation of the Group, further financing funds may not be available or may not be available to an enough extent or only at more unfavorable conditions. Should the Constantin Medien Group fail to service the respective drawn credit lines on time or not repay them after termination, there would be a risk that the respective lender would realize the assets of the Constantin Medien Group transferred as collateral, which would have a considerable negative effect on the result.

8.4.2 Credit risks

A credit risk exists if a debtor is unable to settle a receivable or is unable to do so in a timely manner or if assets received as collateral lose value and thus cause a financial loss. The credit risk includes both the direct counterparty default risk and the risk of a deterioration in creditworthiness. The same credit risk also applies to contract assets. There is also a default risk with derivative financial instruments with a positive market value and credit balances with banks.

Banks and financial institutions with which the Constantin Medien Group does business must have a good credit rating. In addition, any risks on cash and cash equivalents are further minimized by distributing financial investments among several financial institutions.

The default risks of the Constantin Medien Group‘s important customers are also continuously monitored and evaluated. In addition, the Company hedges the risk of default due to the insolvency of a creditor in significant cases by obtaining creditworthiness information. Therefore, the Company assesses the credit quality for receivables that are neither past due nor impaired as good. The maximum credit risk of the Constantin Medien Group is the amount of the carrying amounts of the financial assets.

Regarding the impairment of financial assets, please refer to note 4.10.

8.4.3 Currency risk

The Constantin Medien Group is exposed to currency risks in the ordinary course of business. This primarily relates to the US dollar, the Swiss franc and, through the subsidiary with the functional currency Swiss francs, the Euro. Exchange rate fluctuations can lead to undesirable and unforeseeable earnings and cash flow volatilities. Each subsidiary is exposed to risks in connection with changes in exchange rates if it enters into transactions with international counterparties and this results in future cash flows that do not correspond to the functional currency of the respective subsidiary. The Constantin Medien Group does not enter any business activities in currencies that have to be classified as particularly risky. In the reporting year, currency translation differences of EUR -5 thousand (prior year: EUR +951 thousand) were recognized in the operating and financial results.

8.4.4 Interest rate risk

An interest rate risk generally exists when market interest rates change, and payments made in connection with investments or payments made in connection with borrowings may improve or deteriorate as a result. In addition, the mismatch of maturities gives rise to an interest rate risk that is actively controlled within the Group, by monitoring the development of the yield curve. The Group‘s interest rate risk relates primarily to credit lines, some of which have a variable basis. The Group currently does not use any financial instruments to hedge the interest rate risk. Fixed interest rate agreements offer a corresponding hedge in phases of rising interest rates, with the disadvantage of not benefiting from this development in phases of falling interest rates. In the case of financial liabilities without flexible arrangements regarding utilization and repayment, a fixed interest agreement ensures enough planning security. In the case of highly flexible loan agreements, on the other hand, variable interest agreements take account of future fluctuations in loan utilization. In addition, it is possible to use interest rate hedging instruments to create a fixed interest basis if required.

8.4.5 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 market prices and that this does not already result from the interest rate risk or the currency risk. Other price risks exist for financial assets that are measured at fair value through profit or loss. These financial assets are not hedged.

8.5 Fair values

8.5.1 Overview of fair values

The following table shows the allocation of the financial assets and liabilities measured at fair value or fair values to be disclosed in the notes to the financial statements to the three levels of the fair value hierarchy.

Fair value hierarchy at December 31, 2018 in EUR '000

		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	**Total**
Financial assets					
Derivative financial instruments	43		43		**43**
Financial assets measured at fair value (equity instruments)	31,292	31,283		9	**31,292**
Financial liabilities					
Derivative financial instruments					**–**

Fair value hierarchy at December 31, 2017 in EUR'000

		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	**Total**
Financial assets					
Available-for-sale financial assets	105,060	105,060		0	**105,060**
Financial liabilities					
Current financial liabilities	63,870	64,320			**64,320**
Derivative financial instruments	37		37		**37**

Disclosures on level 3 financial instruments in EUR'000

Description of the financial instrument	Investment Geenee, Inc.	Other investments
Fair value at January 1, 2017	0	**–**
Gains/(losses) recognized in other comprehensive income	–	–
Purchase	–	–
Sale	–	–
Fair value at December 31, 2017	0	**–**
IFRS 9 Adjustments	–	9
Gains/losses recognized in other comprehensive income	–	–
Purchase	–	–
Sale	–	–
Fair value at December 31, 2018	**0**	**9**

The Group‘s own default risk and the counterparty‘s credit risk were considered in determining the fair value in accordance with the Group‘s accounting policies (see note 4.3). No reclassifications were made between the individual levels of the fair value hierarchy. If circumstances arise that require a different classification, these are reclassified at each reporting period.

8.5.2 Fair value of financial assets and liabilities

Financial assets measured at fair value and included in level 1 are measured at fair value through stock exchange prices. The derivative financial instruments included in level 2 are measured at market prices. A discounted cash flow method was used to determine the fair value of level 2 derivative financial instruments. The investment in Highlight Communications AG (equity instrument recognized in other comprehensive income) is measured at stock exchange price. The investment in Geenee, Inc. was fully impaired as of December 31, 2016. There were no indications of an impairment reversal in the reporting period. For reasons of materiality, other equity instruments (totaling EUR 9 thousand) are carried at historical cost.

8.5.3 Financial assets and liabilities carried at amortized cost

Due to the short remaining term, the carrying amounts of current financial receivables and liabilities approximate their fair values as of the balance sheet date.

8.5.4 Fair value of non-financial assets and liabilities

As of December 31, 2018, no non-financial assets or non-financial liabilities were measured at fair value.

8.6 Use of hedging instruments

Derivative financial instruments are used exclusively for economic hedging purposes and not as speculative investments. However, if these instruments do not meet the criteria for hedge accounting, they are classified as held for trading for accounting purposes and carried at fair value through profit or loss.

8.6.1 Overview

In significant transactions, particularly in US dollars and Swiss francs, the Group endeavors to minimize currency risk using appropriate derivative and non-derivative financial instruments. Derivative financial instruments are entered with banks. The financial instruments are primarily related to future foreign currency cash flows from projects and license purchases. The Group is examining the possibility of overcollateralization. No hedging relationships were entered during the reporting period.

8.6.2 Derivative financial instruments without hedging relationship

Derivatives that are not or no longer included in a hedging relationship continue to be used to hedge a financial risk arising from operating activities. The hedging instruments are closed out if the underlying operating transaction no longer exists or is no longer expected to exist. The following table shows the nominal and fair values of derivatives held as of the balance sheet date that are not designated as hedges:

Derivative financial instruments without hedging relationship in EUR'000

	12/31/2018		12/31/2017	
	Nominal value	Fair value	Nominal value	Fair value
Forward exchange transaction purchase				
USD	1,655	43	1,037	-37

The two forward exchange contracts have a remaining term of one and four months, respectively.

8.7 Sensitivities

The sensitivity analysis shows the effects of possible changes in market interest rates on earnings or equity. Changes in market interest rates have an effect on interest income and interest expenses of variable-interest financial instruments. The interest sensitivity analysis was prepared assuming a change in the market interest rate of 100 basis points upwards or 100 basis points downwards. From the Group‘s perspective, currency sensitivities were determined for the major currency pairs EUR-USD, CHF-EUR and EUR-CHF under the assumption that the exchange rate underlying the currency pair would change by 10 percent upwards or downwards and that all other parameters would remain unchanged. Translation risks are not included in the sensitivity analysis. The following table shows the effects of a 10 percent change in the exchange rate. The closing rate was used for the sensitivity analysis.

Sensitivity analysis at December 31, 2018 in EUR'000

			Foreign exchange risk									
	Interest rate risk		EUR/USD		CHF/EUR		EUR/CHF		Total foreign exchange risk		Other price risks	
	-1%	+1%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
Financial assets												
Cash and cash equivalents	-134	134	118	-96	-32	26	4	-4	90	-74		
Trade accounts receivable (current and non-current)							9	-7	9	-7		
Other receivables (current and non-current) excluding forward exchange contracts			33	-27					33	-27		
Other receivables forward exchange contracts			189	-155					189	-155		
Other financial assets (current and non-current)											-3,129	3,129
Financial liabilities												
Trade accounts payable (current and non-current)			0	0			-68	56	-68	56		
Other liabilities (current and non-current) excluding forward exchange contracts			-6	5	0	0	-6	5	-12	10		
Financial liabilities (current and non-current)												
Total increase/ decrease	-134	134	334	-273	-32	26	-61	50	241	-197	-3,129	3,129
Increase/decrease in equity (OCI)											-3,129	3,129
Increase/decrease through profit or loss	-134	134	334	-273	-32	26	-61	50	241	-197		

Sensitivity analysis at December 31, 2017 in EUR'000

	Interest rate risk		**Foreign exchange risk** EUR/USD		CHF/EUR		EUR/CHF		**Total foreign exchange risk**		**Other price risks**	
	-1%	+1%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
Financial assets												
Cash and cash equivalents	-208	208	34	-28	-34	27	15	-12	15	-13		
Trade accounts receivable							54	-44	54	-44		
Other financial assets											-10,506	10,506
Other receivables excluding forward exchange contracts			90	-73			56	-46	146	-119		
Financial liabilities												
Trade accounts payable			-53	44			-65	53	-118	97		
Other liabilities excluding forward exchange contracts					1	-1			1	-1		
Financial liabilities												
Forward exchange contracts			111	-91					111	-91		
Total increase/ decrease	**-208**	**208**	**182**	**-148**	**-33**	**26**	**60**	**-49**	**209**	**-171**	**-10,506**	**10,506**
thereof through equity											-10,506	10,506
thereof through profit or loss	-208	208	182	-148	-33	26	60	-49	209	-171		

9. Segment reporting

Due to the deconsolidation of Highlight Communications AG as of June 12, 2017, the prior year reporting on the Film Segment and the Sports- and Event-Marketing Segment covers the period from January 1, 2017 to June 12, 2017. As of financial year 2018, the Constantin Medien Group consists of the Sports division and the Others division.

The following information is based on the so-called „management approach“. The demarcation of divisions and reporting are based on the internal reporting of the organizational units to the main decision-makers regarding the allocation of resources and the assessment of profitability. The Chief Operating Decision Maker, the Company‘s Management Board, decides on the allocation of resources to the divisions and assesses their performance based on revenues and earnings. The Management Board does not evaluate the divisions based on assets and liabilities. In addition, the performance-related incentives for all senior employees and managing directors of the companies in the Sports division are based on the EBIT of the Sports division. Match IQ GmbH is also allocated to the Sports division for reasons of materiality.

The Group functions of Constantin Medien AG are shown under Other. These include the actual Group Management, Corporate Finance, IT, Investor Relations, Controlling, Legal, Group Accounting, Corporate Communications, Internal Audit and Human Resources.

Earnings before interest and taxes (EBIT) corresponds to earnings as it is used internally as a performance indicator.

The Sports division mainly comprises activities in the TV and digital areas with the umbrella brand SPORT1 and in the production, content solutions services and content marketing areas with PLAZAMEDIA. Marketing is carried out by Sport1 Media GmbH and Magic Sports Media GmbH, which, in addition to marketing the SPORT1 platforms, also markets third-party platforms. Since the end of August 2018, the Sports division has also included the services of Match IQ GmbH.

Information January 1, 2018 to December 31, 2018 in EUR’000

	Sports	Others	Reconciliation	Group
External revenues	119,078	0	0	119,078
Intercompany revenues	11	0	-11	0
Total revenues	**119,089**	**0**	**-11**	**119,078**
Other income	7,579	5,489	-3,077	9,991
Expenses excluding depreciation, amortization and impairments	-121,580	-9,325	3,088	-127,817
Earnings before interest, taxes, depreciation and amortization	**5,088**	**-3,836**	**0**	**1,252**
Depreciation and amortization	-4,013	-56	0	-4,069
Impairments	0	0	0	0
Result	**1,075**	**-3,892**	**0**	**-2,817**

Segment information January 1 to December 31, 2017 in EUR'000

	Sports	Film*	Sports- and Event-Marketing*	Others	Reconciliation	Group
External revenues	139,097	100,320	24,369	0	0	263,786
Intercompany revenues	220	274	0	0	-494	0
Total revenues	**139,317**	**100,594**	**24,369**	**0**	**-494**	**263,786**
Other segment income	6,405	70,923	64	54,001	-4,312	127,081
Segment expenses excluding depreciation, amortization and impairments	-137,909	-135,683	-14,156	-24,239	4,806	-307,181
Segment earnings before interest, taxes, depreciation and amortization	**7,813**	**35,834**	**10,277**	**29,762**	**0**	**83,686**
Depreciation and amortization	-4,691	-39,409	-398	-111	0	-44,609
Impairments	-1,182	-1,171	0	0	0	-2,353
Segment result	**1,940**	**-4,746**	**9,879**	**29,651**	**0**	**36,724**

* covers the period January 1 to June 12, 2017

Information by region in EUR'000

2018	Germany	Rest of Europe	Rest of the world	**Total**
External revenues	91,029	27,357	692	**119,078**
Non-current assets	23,239	0	0	**23,239**
2017				
External revenues	147,926	74,709	41,151	**263,786**
Non-current assets	14,986	0	0	**14,986**

The Constantin Medien Group did not generate more than 10 percent of total revenues with any customer (previous year: no customer) in the reporting year

10. Contingences, contingent liabilities, other financial commitments and contingent assets

10.1 Overview

Financial obligations in EUR'000

	Contingent liabilities	Acceptance obligations for licenses	Other financial obligations	Rental and leasing obligations	**Total**
Balance at December 31, 2018					
Due within one year	2,563	25,879	16,708	3,322	**48,472**
Due within one to five years	0	36,270	9,828	5,433	**51,531**
Due after five years	0	0	1,350	0	**1,350**
Total	**2,563**	**62,149**	**27,886**	**8,755**	**101,353**
Balance at December 31, 2017					
Due within one year	0	26,790	16,184	3,717	46,691
Due within one to five years	0	56,996	16,985	7,709	81,690
Due after five years	0	0	1,950	0	1,950
Total	**0**	**83,786**	**35,119**	**11,426**	**130,331**

10.2 Contingent liabilities

The contingent liabilities relate to a special sales tax audit at Constantin Medien AG with respect to a pre-tax refund claim from 2017 in the amount of EUR 1,750 thousand. In this context, an issue from 2014 is also being examined in the context of the tax audit in the amount of EUR 813 thousand. Constantin Medien AG has submitted written statements on this matter.

10.3 Acceptance obligations for licenses

Acceptance obligations for licenses include EUR 62,149 thousand (previous year: EUR 83,786 thousand) for broadcasting and transmission rights of Sport1 GmbH.

10.4 Other financial obligations

Other financial obligations mainly include obligations from distribution costs and other services.

10.5 Rental and leasing obligations

The Constantin Medien Group rents and leases offices, warehouses, vehicles and equipment. Total rental and lease expenses for reporting year amounted to EUR 3,452 thousand (previous year: EUR 6,092 thousand). As of December 31, 2018, minimum lease obligations existed as shown in the following table. The calculation of the minimum lease obligations is based on the non-cancellable terms of the respective contracts.

Obligations from operating leases in EUR'000

	Rent for buildings and office space	Vehicle leases	Others	**12/31/2018**	12/31/2017
Due within one year	2,809	308	205	**3,322**	3,717
Due within one to five years	5,039	339	55	**5,433**	7,709
Due after five years	0	0	0	**0**	0
Total	**7,848**	**647**	**260**	**8,755**	**11,426**

10.6 Contingencies and contingent assets

As of the balance sheet date, there were no contingencies or contingent assets.

11. Transactions with related companies and persons

According to IAS 24, related parties of Constantin Medien AG are persons and companies which control the Constantin Medien Group or exercise a significant influence over it or are controlled or significantly influenced by Constantin Medien AG.

For the reporting period, the Members of the Management Board and Supervisory Board of Constantin Medien AG, associated companies as well as Highlight Event and Entertainment AG, Highlight Communications AG, Mr Bernhard Burgener and Ms Rosmarie Burgener were defined as related parties.

From August 23, 2017 to March 31, 2018, Constantin Medien AG was managed as an associated company of Highlight Event and Entertainment AG. Accordingly, the transactions between the Constantin Medien Group and the Highlight Event and Entertainment group had to be classified as related party transactions. For the period from January 1, 2018 to March 31, 2018, revenues and other operating income amounted to EUR 61 thousand and cost of materials, licenses and other operating expenses to EUR 0 thousand. With respect to the sale of Highlight Communications AG shares to Highlight Event and Entertainment AG, please refer to note 7.4.

Constantin Medien AG has been controlled and fully consolidated by Highlight Communications AG since March 31, 2018. Highlight Communications AG will again be fully consolidated at Highlight Event and Entertainment AG and accordingly Constantin Medien AG as well. Revenues and other operating income of EUR 419 thousand were generated with the direct parent company Highlight Communications AG and its subsidiaries as well as with the ultimate parent company Highlight Event and Entertainment AG and its subsidiaries in the period from April 1, 2018 to December 31, 2018, and material and license expenses and other operating expenses of EUR 348 thousand were recorded. As of December 31, 2018, receivables amounted to EUR 52 thousand (December 31, 2017: EUR 508 thousand) and liabilities to EUR 69 thousand (December 31, 2017: EUR 280 thousand).

The total remuneration of the Management Board of Constantin Medien AG recorded in the reporting year amounted to EUR 1,171 thousand (previous year: EUR 2,586 thousand). The fixed basic remuneration granted to the Members of the Management Board in the reporting period totaled EUR 830 thousand (previous: EUR 1,403 thousand). EUR 24 thousand (previous year: EUR 30 thousand) was granted for fringe benefits. In the reporting period, short-term variable and fixed bonuses of EUR 275 thousand (previous year: EUR 167 thousand) and a special bonus of EUR 42 thousand (previous year: EUR 0 thousand) were recorded as expenses for the Members of the Management Board.

In the reporting year, income of EUR 26 thousand (previous year: income of EUR 213 thousand) from share-based payments (stock appreciation rights for former CEO Fred Kogel) was recognized. All claims from the former Members of the Management Board who left in the prior-year period (Mr. Fred Kogel and Dr. Peter Braunhofer), for whom provisions amounting to EUR 1,200 thousand existed as of December 31, 2018, are in judicial and extrajudicial clarification.

The remuneration of the Members of the Supervisory Board for the fixed basic remuneration and the additional remuneration for committee work amounted to EUR 210 thousand in the reporting period (previous year: EUR 210 thousand). As of December 31, 2018, there was a liability to one Member of the Supervisory Board in the amount of EUR 17 thousand (previous year: EUR 0 thousand). One Member of the Supervisory Board provided consulting services for related parties.

Individualized information on the remuneration of the Management Board and the Supervisory Board of Constantin Medien AG is presented in the remuneration report (cf. chapter 5 of the combined Group and management report).

Provisions in the amount of EUR 240 thousand (previous year: EUR 0 thousand) were recognized in the reporting period for a former Management Board Member.

12. Disclosures on events after the balance sheet date

PLAZAMEDIA GmbH concluded a sale-and-lease-back agreement for the storage system on January 28, 2019. The sales price is EUR 408 thousand and the monthly leasing installment is EUR 7 thousand net. The lease term is 60 months. In this connection, Constantin Medien AG assumed a directly enforceable guarantee for all liabilities of PLAZAMEDIA GmbH resulting from the contract. The guarantee is unlimited in time and limited in amount to EUR 563 thousand.

On January 30, 2019, PLAZAMEDIA GmbH concluded a sale-and-lease-back agreement for part of the new broadcasting center. The sales price amounts to EUR 3,537 thousand and the monthly leasing installment is EUR 63 thousand net. The lease term is 60 months. In this connection, Constantin Medien AG assumed a directly enforceable guarantee for all liabilities of PLAZAMEDIA GmbH resulting from the contract. The guarantee is unlimited in time and limited in amount to EUR 4,930 thousand.

In a lawsuit against KF 15 GmbH, the company had filed accounts because of the failure to provide evidence of costs arising from legal proceedings in the Formula 1 process despite a corresponding request to do so. Prior to the conclusion of the proceedings by a judgement, KF 15 GmbH complied with Constantin Medien AG‘s request and proved the costs in the amount of approx. 2.05 million Euro. Accordingly, the Company was able to declare the action for accounting settled in February 2019.

The action for rescission filed against the resolution of the 2017 Annual General Meeting (including the resolution on the election of Supervisory Board Members) was dismissed in its entirety by the Munich I Regional Court on March 14, 2019. The court ruled in favor of Constantin Medien AG and thus confirmed the effectiveness of the resolutions of the Annual General Meeting.

In mid-March 2019, Sport1 GmbH acquired 5.56 percent of the shares in AGF Videoforschung GmbH at a price of EUR 464 thousand.

13. Other mandatory disclosures

13.1 Expenses for the auditor of the financial statements

Other operating expenses include an expense to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, the Group auditor, in accordance with the following table:

Expenses for the auditor of the financial statements in EUR'000

	2018	2017
Audit of statutory and consolidated financial statements	**224**	451
Audit related services	**76**	8
Tax consulting	**0**	26
Total	**300**	485

It is estimated that an additional EUR 20 thousand (previous year: EUR 24 thousand) will be incurred for expenses. The audit related services relate to a comfort letter that has been started and the EMIR audit.

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 number of employees throughout the Group for the year is shown in the table below

Number of employees

	2018	2017
Salaried employees	**376**	726
Freelancers	**192**	355
Total	**568**	1,081

13.4 Company bodies

13.4.1 Management Board

– Olaf G. Schröder, Munich (Chief Executive Officer)
– Dr Matthias Kirschenhofer, Grünwald (Chief Officer Legal and Finance)

Dr Matthias Kirschenhofer is a member of the following supervisory bodies, supervisory boards and boards of directors:
– Member of the Supervisory Board of VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH, Berlin

Olaf G. Schröder is not a member of any control body, supervisory board or administrative board.

13.4.2 Supervisory Board

– Dr Paul Graf, Businessman, Highlight Communications AG, Rheinfelden/Switzerland (Chairman)
– Thomas von Petersdorff-Campen, Lawyer, Law office Petersdorff, Munich (Deputy Chairman)
– Andreas Benz, Author and Director, Spark Productions AG, Ziegelbrücke/Switzerland
– Edda Kraft, Managing Director, rbb media GmbH, Berlin
– Dr Gero von Pelchrzim, Lawyer, Law office von Pelchrzim, Frankfurt am Main
– Markus Prazeller, Lawyer, Law office Wagner Prazeller Hug AG, Basel/Switzerland

Ismaning, March 15, 2019
Constantin Medien AG

Olaf G. Schröder
Chief Executive Officer

Dr Matthias Kirschenhofer
Chief Officer Legal and Finance

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, March 15, 2019
Constantin Medien AG

Olaf G. Schröder
Chief Executive Officer

Dr Matthias Kirschenhofer
Chief Officer Legal and Finance

REPORT BY THE INDEPENDENT AUDITOR

„REPORT BY THE INDEPENDENT AUDITOR

to Constantin Medien AG, Ismaning

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinion

We have audited the consolidated financial statements of Constantin Medien AG, Ismaning, and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as of December 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of profit or loss, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the January 1 to December 31, 2018 financial year, along with the Group management report including a summary of important accounting methods. We have also audited the Constantin Medien AG management report, which is summarized with the Group management report for the financial year from January 1 to December 31, 2018. The Group statement on corporate governance pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) has, in accordance with German law, not been audited in terms of content.

In our opinion, based on the findings made during the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of the group statement on corporate governance referred to above.

In accordance with Section 322 (3) 1) of the German Commercial Code (HGB), we declare that our audit did not give rise to any objections regarding the adequacy of the consolidated financial statements and the Group management report.

Basis of the audit opinion

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Impairment of goodwill

We have structured our presentation of this key audit matter as follows:

① Matter and issue
② Auditing approach and findings
③ Reference to further information

Key audit matters facts are covered below:

❶ Impairment of goodwill

① The consolidated financial statements show goodwill in the amount of EUR 8,710 thousand (9.6% of the total assets) under goodwill in the statement of financial position. Goodwill is subjected to an impairment test either once annually or during specific events in order to determine a potential requirement for impairments. The impairment test takes place at a Group level of cash-generating units, to which the relevant goodwill is allocated. The carrying value of the relevant cash-generating units including goodwill are compared to the corresponding recoverable amounts as part of the impairment test. Determining the recoverable amount is generally done based on its value in use. The valuation basis is frequently the present value of future cash flows in the relevant group of cash generating units. The cash values are determined using discounted cash flow models. The approved Group mid-term plan is the base from which assumptions on long-term growth rates are updated. Expectations regarding future market developments and assumptions regarding macroeconomic factors are also taken into consideration. Discounting is carried out by means of weighted average capital costs of the relevant group of cash-generating units. As a result of the impairment test, no need for impairment was identified.

The result of this assessment is largely dependent on estimates from legal representatives regarding future cash inflows in the relevant group of cash-generating units, the discounting rate applied, the rate of growth, as well as other assumptions with the result that these involve significant uncertainty. This matter was of particular importance in the light of this background and due to the inherent complexity of evaluation.

② As part of our audit, we have followed the methodological procedure required to carry out the impairment test. After comparison of future cash inflows used in the calculation with the approved group mid-term plan, we have evaluated the adequacy of the calculation, particularly in comparison with general and industry-specific market expectations. We have also evaluated the appropriate consideration of costs of group functions. With the knowledge that even relatively minor amendments to the discounting interest rate can have considerable impact on the enterprise value when using this method to calculate it, we have focused heavily on the parameters used in determining the discounting interest rate and understood the calculation scheme. We have followed the sensitivity studies created by the company in order to take existing forecasting uncertainties into account. The valuation parameters and assumptions applied by legal representatives are in line with our expectations and are also within a spectrum that we consider to be appropriate.

③ The Company‘s disclosures on goodwill are contained in section 7.1 of the notes to the consolidated financial statements.

Other information
The legal representatives are responsible for other information. Other information covers the Declaration on Corporate Governance in accordance with Section 289f HGB and Section 315d HGB.

The other information also includes the remaining parts of the annual report – without any further cross-references to external information – except for the audited consolidated financial statements, the audited Group management report and our audit opinion.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to the other information, and, accordingly, we do not express an audit opinion or any other form of audit conclusion on this.
In connection with our audit, we have the responsibility to read and evaluate the other information, whether the other information:

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

Legal representatives and Supervisory Board's responsibility for the consolidated financial statements and the Group management report
Legal representatives are responsible for preparing the consolidated financial statements in accordance with IFRS as applied in the EU, as well as German law as set out in Section 315e (1) HGB, in accordance with these generally accepted accounting principles. They also ensure that the consolidated financial statements are a true representation of the company's assets, financial position and earnings, taking these regulations into account. The legal representatives are also responsible for the internal controls deemed necessary in accordance with generally accepted German accounting principles in order to enable consolidated financial statements that are free from serious misrepresentations, either intentional or unintentional, to be prepared.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They are also responsible for declaring issues related to continuation as a going concern, where applicable. Furthermore, they are also responsible for preparing a balance sheet based on the accounting principle of continuation as a going concern, unless the intention is to liquidate the Group, to cease business operations, or there is no realistic alternative to such.

The legal representatives are also responsible for preparing a Group management report that is an accurate representation of the company's position overall and that is consistent with the consolidated financial statements, compliant with German law and accurately illustrates the opportunities and risks presented by future developments in all material respects. The legal representatives are also responsible for the precautions and measures (systems) they deem necessary to enable a Group management report to be prepared in accordance with the applicable German law and to be able to provide adequate suitable evidence for the statements made in the Group management report.

The Supervisory Board is responsible for monitoring the company's accounting process in preparing the consolidated financial statements and the Group management report.

Auditor's responsibility for the audit of the consolidated financial statements and the Group management report
Our aim is to gain adequate assurance that the consolidated financial statements as a whole are free from serious misrepresentations, either intentional or unintentional, and that the Group management report is an accurate representation of the company's position overall and is consistent with the consolidated financial statements and findings made during the audit, compliant with German law and accurately illustrates the opportunities and risks presented by future developments in all material respects; it is also our aim to issue an auditor's report containing our opinion on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit performed in accordance with Section 317 HGB and the EU-APrVO Regulation, considering the generally accepted German auditing standards issued by the Institute of Public Auditors, will always reveal a serious misrepresentation. Misrepresentations can result from violations or inaccuracies, and are considered serious if, either individually or as a whole, they could reasonably be expected to influence financial decisions made based on these consolidated financial statements and this Group management report by the recipients.

We use our professional judgement and maintain a critical stance throughout the audit. In addition,

- we identify and assess the risks of serious misrepresentations, either intentional or unintentional, in the consolidated financial statements and the Group management report, plan and conduct audit procedures in response to these risks and obtain audit evidence that forms an adequate, suitable basis for our opinion. The risk of serious misrepresentations not being revealed is higher in the case of violations than in the case of inaccuracies, as violations can involve collusion, falsification, intentional omissions, misleading representations or overruling internal controls;
- we gain an understanding of internal control systems relevant to the audit of the consolidated financial statements and of the precautions and measures relevant to the audit of the Group management report in order to plan audit procedures that are adequate under the given circumstances, but not with the aim of giving an opinion on the effectiveness of the company's systems;
- we evaluate the adequacy of the accounting methods used by the legal representatives and the tenability of the values estimated by the legal representatives as well as the related information;
- we draw conclusions on the adequacy of the accounting principle of continuation as a going concern applied by the legal representatives and, based on the audit evidence obtained, on whether there is considerable uncertainty in relation to events or circumstances that could cause serious doubt in the company's ability to continue as a going concern. If we reach the conclusion that there is such considerable uncertainty, we are obliged to make reference to the relevant information in the consolidated financial statements and the Group management report in our auditor's report or, if this information is inadequate, to issue a qualified opinion. We reach our conclusions based on the audit evidence obtained by the date of our auditor's report. However, future events or circumstances can mean that the company is no longer able to continue as a going concern;
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, as well as whether the consolidated financial statements are prepared in compliance with IFRS as applied within the EU, as well as being a true representation of the company's assets, financial position and earnings, taking into account generally accepted German accounting principles pursuant to Section 315e (1) HGB;
- we obtain suitable audit evidence for the company's accounting methods or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the Group management report. We are responsible for preparing, monitoring, and carrying out the group audit. We bear sole responsibility for our audit opinions.
- we evaluate whether the Group management report is consistent with the consolidated financial statements, compliant with the law and a true representation of the company's position;
- we conduct audit procedures on the future-orientated information provided by the legal representatives in the Group management report. In particular, we attempt to gain an understanding of the major assumptions underlying the future orientated information provided by the legal representatives based on adequate, suitable audit evidence and evaluate whether future-orientated information has been derived from these assumptions appropriately. We do not issue our own opinion on the future--orientated information or the underlying assumptions. There is a major unavoidable risk of future events differing from future-orientated information significantly.

We communicate with those charged with governance regarding, among others, we discuss the intended scope and schedule of the audit as well as major audit findings, including any shortcomings in the internal control system that we identify during our audit.

We hereby declare to those charged with governance that we have observed the relevant independence requirements and have discussed with them all relationships and other facts from which it may reasonably be accepted that they have an impact on our independence, along with the relevant protective measures taken.

Using the facts that we have discussed with those charged with governance, we determine the respective facts that were the most significant in the audit of the consolidated financial statements for the current reporting period and are therefore particularly important audit facts. These facts are described in the auditor‘s report, unless the laws in place or other statutory provisions exclude the public disclosure of the fact.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Further information in accordance with Article 10 EU-APrVO
We were appointed as auditors of the consolidated financial statements by the Annual General Meeting on May 8, 2018. We were appointed by the Supervisory Board on January 25, 2019. We have been the uninterrupted group auditor of Constantin Medien AG, Ismaning, since financial year 1997.

We hereby declare that the audit opinions contained in this auditor's report are in accordance with the additional report to the audit committee according to Article 11 EU-APrVO (Audit Report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Klaus Bernhard."

Munich, March 15, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Klaus Bernhard
Wirtschaftsprüfer
(German Public Auditor)

Christoph Tübbing
Wirtschaftsprüfer
(German Public Auditor)

FINANCE CALENDAR 2018

March 15, 2019
Annual Report 2018

Max 2019
Quarterly Statement for the first quarter of 2019

July 2019
Annual General Meeting (AGM) for the financial year 2018

August 2019
Interim Financial Report 2019

November 2019
Quarterly Statement for the third quarter of 2018

December 11, 2019
(Capital Market Conference, Munich)

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