

**Q1** QUARTERLY STATEMENT 2019

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## Forward-looking statements

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For computational reasons, rounding differences of +/- one unit may occur in the tables and percentages presented may not accurately reflect the absolute figures to which they relate

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## Impressum

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## QUARTERLY STATEMENT

Constantin Medien AG is an internationally operating media company based in Ismaning near Munich. Its business activities comprise the Sports division with the companies Sport1 GmbH, Sport1 Media GmbH, Magic Sports Media GmbH, Match IQ GmbH, PLAZAMEDIA GmbH and LEITMOTIF Creators GmbH. Constantin Medien AG has been included in the consolidated financial statements of the direct parent company Highlight Communications AG, Pratteln/Switzerland, and of the ultimate parent company Highlight Event and Entertainment AG, Pratteln/Switzerland, since March 31, 2018.

### 1. Financial performance indicators

With a view to uniformity within the Constantin Medien Group, revenues and earnings attributable to shareholders are used as key performance indicators for the 2019 financial year. In addition, the non-essential ratio of net liquidity or net debt (cash and cash equivalents minus financial liabilities) is determined. In order to control and manage the Sports division, the non-essential EBIT ratio is determined on a regular basis. Constantin Medien AG is managed based on the annual result.

### 2. Business development in the first quarter of 2019

#### 2.1 Overall view

| Constantin Medien Group   Business development in EUR million           |                     |                     |        |             |
|---|---------------------|---------------------|--------|-------------|
|   | 1/1 to<br>3/31/2019 | 1/1 to<br>3/31/2018 | Change | Change in % |
| Revenues  | 24.8                | 28.5                | -3.7   | -13.0%      |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | -2.0                | -1.8                | -0.2   | -11.1%      |
| Earnings before interest and taxes (EBIT)                               | -4.2                | -2.7                | -1.5   | -55.6%      |
| Financial result  | -0.1                | -1.3                | 1.2    | 92.3%       |
| Earnings attributable to shareholders                                   | -4.2                | -4.8                | 0.6    | 12.5%       |

- **Revenues** in Q1 2019 down 13 percent year-on-year. This was due to lower TV advertising revenues following the discontinuation of the rights to the UEFA Europa League, a general restraint in advertising spending on the part of advertisers and restrictive regulatory framework for the Schleswig-Holstein licenses for the organization and thus also for the advertising of online casinos. The Management Board assumes that the legal situation will change again in the second quarter of 2019 so that the advertising of corresponding offers will be possible once again. Overall, revenues in Q1 2019 were below expectations.
- **Earnings before interest, taxes, depreciation and amortization (EBITDA)** amounted to EUR -2.0 million after EUR -1.8 million in Q1 2018. Despite the decline in revenues, earnings before interest, taxes, depreciation and amortization (EBITDA) remained almost at the previous year's level, in particular due to significantly lower license expenses and the reclassification of rental and leasing expenses to depreciation as a result of the first-time adoption of IFRS 16 Leases as of January 1, 2019. EBITDA was slightly below expectations.
- **Earnings before interest and taxes (EBIT)** at EUR -4.2 million after EUR -2.7 million in Q1 2018. The decline is explained by the aforementioned decline in revenue and the non-recurring recognition of expenses for severance payments. In addition, EBIT continued to be burdened by high legal and consulting costs.
- Significant improvement in the **financial result** in Q1 2019 by EUR 1.2 million to EUR -0.1 million due to the absence of interest on the corporate bond repaid in April 2018.
- **Earnings attributable to shareholders** improved by EUR 0.6 million to EUR -4.2 million (prior-year quarter: EUR -4.8 million) despite the decline in the operating result due to the significant improvement in the financial result (EUR 1.2 million) and a lower tax expense (improvement of EUR 0.8 million). Overall, earnings attributable to shareholders was slightly below expectations.
- The **financial targets for the year 2019** as a whole are confirmed.

2.2. Operational and economic development in the Sports division

Sports division | Development in EUR million

|   | 1/1 to<br>3/31/2019 | 1/1 to<br>3/31/2018 | Change | Change in % |
|---|---------------------|---------------------|--------|-------------|
| Revenues  | 24.8                | 28.5                | -3.7   | -13.0%      |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | -1.3                | -0.9                | -0.4   | -44.4%      |
| Earnings before interest and taxes (EBIT)                               | -3.4                | -1.8                | -1.6   | -88.9%      |

- Revenue decline in the Sports division in Q1 2019 by 13.0 percent to EUR 24.8 million due to lower TV advertising revenues following the discontinuation of the rights to the UEFA Europa League, a general restraint in advertising spending by advertisers and restrictive regulatory framework for the Schleswig-Holstein licenses for the organization and thus also for the advertising of online casinos. The Management Board assumes that the legal situation will change again in the second quarter of 2019 so that the advertising of corresponding offers will be possible once again.
- Overall, revenues and operating results in the Sports division in Q1 2019 were below expectations.
- In absolute terms, the decline in revenues was almost offset in earnings before interest, taxes, depreciation and amortization (EBITDA), in particular due to lower license expenses and the shift of rental and leasing expenses to depreciation (first-time adoption of IFRS 16 Leases from January 1, 2019).
- Decline in EBIT by EUR 1.6 million, primarily due to the aforementioned decline in revenue and the non-recurring recognition of expenses for severance payments.
- Investments, restructuring and the expansion of customer relationships at PLAZAMEDIA GmbH led to EBITDA of EUR 0.9 million in the first three months of 2019, a very significant improvement of EUR 0.9 million compared to the same period of the previous year. Despite the high depreciation of investments, the EBIT of PLAZAMEDIA GmbH improved considerably.
- In Q1 2019, Sport1 GmbH acquired further rights for its program portfolio, including in soccer the German A and B Juniors Championships and the DFB Juniors Cup Final, in volleyball the DVV Cup Final and in handball international games of the national teams of the German Handball Federation (DHB).
- On January 24, 2019, eSPORTS1, the first eSports channel in the German-speaking region, successfully went on-air. The program includes at least 1,200 live hours per year of international and national top events as well as highlight broadcasts and self-produced magazines. The new pay-TV channel reports 24/7 on the most popular titles such as League of Legends, Dota 2, Counter-Strike, Overwatch, Hearthstone, Fortnite or FIFA 19. With ESL, Blizzard Entertainment, FIFA, DFL Deutsche Fußball Liga or Sportradar, top-class content partners are on board. Since its launch, eSPORTS1 has been offered via the platforms of Vodafone Deutschland, Telekom, Unitymedia, 1&1, T-Mobile Austria, A1 Telekom, UPC Switzerland and Zattoo as well as via the new eSPORTS1 app.
- Rating highlights in free-TV in Q1 2019 include soccer formats such as “Der CHECK24 Doppelpass“, “Bundesliga Pur“ and “Fantalk“, darts with World Championship and Premier League as well as ice hockey with DEL and Champions Hockey League (CHL).
- Free-TV market shares stable in Q1 2019 among viewers overall (Z3+: 0.6%) and slightly below the level of the previous year’s quarter in the core target group of males aged 14 to 59 (M14-59: 1.1%), especially due to the discontinuation of rights to the UEFA Europa League.
- Distribution of SPORT1 HD: As of March 31, 2019, a total of 8.47 million subscribers had subscribed to the HD offering of SPORT1 via the various platform partners (March 31, 2018: 8.50 million) – in each case excluding the subscribers who receive SPORT1 HD via Telekom’s Magenta TV.
- In the pay-TV area, the number of subscribers to SPORT1+ reached 2.34 million as of March 31, 2019 (end of Q1 2018: 2.11 million) and 1.14 million subscribers to eSPORTS1, the new channel launched on January 24.

- Video downloads on the SPORT1 YouTube channels increased significantly in Q1 2019 compared to the same period of the previous year, primarily due to continued process and structure optimization on all social media platforms as well as further expansion of the video-on-demand and livestream offering on YouTube. Video downloads on the SPORT1 platforms (excluding YouTube) slightly below previous year's level.
- Visits in Q1 2019 increased slightly in the mobile area compared to the previous year quarter, while page impressions (PIs) were slightly below the previous year level, which is attributable in particular to reporting on the 2018 Winter Olympics, which had a positive effect at the time. In the online area, visits and PIs declined year-on-year. This development continues to be fundamentally influenced by the shift in content usage from online to mobile.
- The number of unique mobile users decreased slightly compared to Q1 2018. In addition to thematic differences between the quarters, in particular due to the 2018 Winter Olympics, this is also due to a change in the unique user measurement in the mobile web area. In the online area, the number of unique users decreased compared to Q1 2018, also due to the shift in usage towards mobile.
- In marketing, SPORT1 MEDIA further expanded its partnership with Telefónica Deutschland: Since January, the highlight magazine "Bundesliga Pur – Lunchtime" is broadcast every Sunday from Germany's highest TV studio in Munich's O2 Tower.
- LEiTMOTIF's successful cooperation with PV Automotive was extended to STAHLGRUBER: In January, the consulting unit realized STAHLGRUBER's "Ignition Night" for the wholesaler of automotive parts, accessories and workshop equipment at the event location operated by PLAZAMEDIA, ziegelei101.
- In addition, at the premiere of the MADE FOR MORE AWARD 2019 in February, SportScheck honored the most impressive sports personalities of the year in the ziegelei101. SPORT1 broadcast the award ceremony with more than 500 guests from sports, media and business, which was staged by the largest German TV production company Constantin Entertainment with the support of PLAZAMEDIA in the studio production area, live on free-TV and on YouTube.
- In addition, numerous other events of well-known customers were held at ziegelei101 in the quarter under review, including IPSEN View (Health Care Convention GmbH & Co. KG) and the Consors Finanz annual kick-off event (BNP Paribas s.a. branch Germany).
- In Q1 2019, PLAZAMEDIA again performed studio productions for Bayerischer Rundfunk with the personality show "Ringl-stetter" and for Mingamedia Entertainment GmbH the third season of the Disney children's cooking show "An die Töpfe, fertig lecker". In the first quarter, PLAZAMEDIA again provided extensive serial production services for Amazon, DAZN and SPORT1.
- Match IQ signed a cooperation agreement with Hertha BSC in March, under which the full-service event and sports consulting agency is organizing a tour through the United States with two friendly matches in the states of Minnesota and Wisconsin in May 2019.

### 2.3 Others

- At EUR -0.8 million, the operating result of the holding company Constantin Medien AG (Others) in Q1 2019 was slightly better than in the previous year (EUR -0.9 million) and slightly above expectations, despite continuing high legal and consulting costs.

### 2.4 Financial result

- Financial result improved considerably by EUR 1.2 million to EUR -0.1 million (EUR -1.3 million in the same period of the previous year, which was characterized by the interest burden of EUR 1.2 million on the corporate bond). The slightly negative financial result results from the compounding of lease liabilities due to the first-time adoption of IFRS 16 Leases as of January 1, 2019.

2.5 Net liquidity

| Net liquidity in EUR million      |            |             |             |               |  |
|-----------------------------------|------------|-------------|-------------|---------------|--|
|                                   | 3/31/2019  | 12/31/2018  | Change      | Change in %   | <i>Pro Forma<br/>12/31/2018 with<br/>adoption of<br/>IFRS 16</i> |
| Cash and cash equivalents         | 16.5       | 13.4        | 3.1         | 23.1%         | 13.4   |
| Non-current financial liabilities | 8.7        | 0.8         | 7.9         | >100.0%       | 6.3  |
| Current financial liabilities     | 4.2        | 0.2         | 4.0         | >100.0%       | 3.5  |
| <b>Net liquidity</b>              | <b>3.6</b> | <b>12.4</b> | <b>-8.8</b> | <b>-71.0%</b> | <b>3.6</b>   |

- Despite the EUR 3.1 million increase in cash and cash equivalents, net liquidity fell significantly by EUR 8.8 million compared with December 31, 2018.
- The 71.0 percent decline in net liquidity is solely attributable to the first-time recognition of current and non-current lease liabilities of EUR 8.8 million as of January 1, 2019 due to the first-time adoption of IFRS 16 Leases.
- If IFRS 16 Leases had been applied as of December 31, 2018, net liquidity would not have changed (restated figures as of December 31, 2018: cash and cash equivalents of EUR 13.4 million less current and non-current financial liabilities of EUR 9.8 million result in restated net liquidity of EUR 3.6 million as of December 31, 2018).

3. Risks and opportunities report

- Detailed description of the risk management system and the risk and opportunity profile in chapters 7.2.1 and 7.3.1 of the Combined Group Management Report and Management Report of the Annual Report 2018 of Constantin Medien AG.
- Detailed information on the individual risks and opportunities of Constantin Medien AG is provided in chapter 7.2.2 and 7.3.2 of the Combined Group Management Report and Management Report of the Annual Report 2018.
- Description of the internal control and risk management system related to the Group accounting process in chapter 7.5 of the Combined Group Management Report and Management Report of the Annual Report 2018 of Constantin Medien AG.
- Changes compared to the risks and opportunities described in the Combined Group Management Report and Management Report of the Annual Report 2018 of Constantin Medien AG in the reporting period:
- **Legal risks: Action for rescission against resolutions of the Annual General Meeting on August 23, 2017**  
The action for annulment brought against the resolutions of the 2017 Annual General Meeting (including the resolution on the election of Supervisory Board members) was dismissed in full 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. At the beginning of April 2019, the counterparty, KF 15 GmbH, filed an appeal.

#### 4. Financial targets

From today's perspective, the Management Board confirms its previous financial targets for 2019 as a whole:

- Group revenues between EUR 105 million and EUR 125 million.
- Earnings attributable to shareholders of between EUR +0.5 million and EUR -3.0 million, considering holding costs as well as financial result and taxes.

#### 5. Events after the reporting period

The Management Board is not aware of any events that occurred after the reporting period and have a material impact on the Constantin Medien Group's results of operations, financial position and cash flows.

Ismaning, May 9, 2019

**Constantin Medien AG**

**Olaf G. Schröder**  
Chief Executive Officer

**Dr Matthias Kirschenhofer**  
Chief Officer Legal and Finance

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