

Q3

Quarterly Statement 2018

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Imprint

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Quarterly Statement

Constantin Medien AG is an internationally operating media company based in Ismaning near Munich. The business operations include the Sports Segment with the subsidiaries 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 the ultimate parent company Highlight Event and Entertainment AG, Pratteln/Switzerland, since March 31, 2018.

1. Financial performance indicators

Regarding the uniformity in the Constantin Medien Group, sales and earnings attributable to shareholders are used as the key performance indicators for the 2018 financial year. In addition, the non-relevant key figure of net liquidity respectively net debt (cash and cash equivalents less financial liabilities) is determined. To control and manage the Sports Segment, the non-relevant key figure operating result (EBIT) is calculated on a regular basis. Constantin Medien AG is controlled according to the annual result.

2. Business development in the third quarter of 2018

2.1 Overall view

- **Sales** in Q3 2018 slightly below the prior-year quarter by 4 percent. This was due to lower TV advertising revenues after the loss of the rights to the UEFA Europa League. Overall, sales in Q3 2018 were slightly below expectations.
- **Operating result in the Sports Segment** improved by EUR 0.9 million to EUR -1.8 million in Q3 2018, mainly due to the growth in the digital area.
- **Operating result (EBIT)** at EUR -1.4 million after EUR -6.3 million in Q3 2017. Significant improvement in particular due to lower personnel costs as well as lower costs for licenses, despite the still high and above-plan legal and consulting costs in connection with the assertion of claims against former executive bodies, whose pursuit the company considers its obligation.
- **Balanced financial result** in Q3 2018 and a significant improvement of EUR 5.4 million over the prior year quarter, which was still particularly characterized by the interest charges for the corporate bond 2013/2018 repaid in April 2018 and the derecognition of Highlight Communications AG shares.
- **Consolidated earnings attributable to shareholders** reflect the two significant progresses made in operating profit (EBIT) and financial result and improved by EUR 10.3 million to EUR -1.6 million in Q3 2018.
- The financial targets for the full year 2018 are confirmed despite still high charges from legal and consulting costs.

Constantin Medien Group | Business performance in EUR million

	Q3 2018	Q3 2017	Change	9M 2018	9M 2017	Change
Sales	24.1	25.1	-4.0%	84.7	225.4	-62.4%
Loss/profit from operations (EBIT)	-1.4	-6.3	77.8%	-6.3	37.0	-117.0%
Earnings attributable to shareholders	-1.6	-11.9	86.6%	-8.1	22.9	-135.4%

The **9-month consolidated earnings attributable to shareholders** amounted to EUR -8.1 million in 2018 and thus improved by EUR 8.0 million year-on-year. Excluding the earnings contributions of the Highlight Communications group, which was fully consolidated until June 12, 2017, as well as the non-recurring deconsolidation gain of EUR 38.3 million, the 9-month consolidated earnings attributable to shareholders amounted to EUR -16.1 million in 2017. The improvement compared to the prior year period was achieved despite the fact that PLAZAMEDIA's operating result declined by EUR 5.1 million in the first nine months of 2018 due to the expiry of the Sky agreement as of June 30, 2017.

Constantin Medien-Konzern | Business performance excluding earnings contributions from Highlight Communications AG and deconsolidation gain in EUR million

	9M 2018	9M 2017*	Change
Sales	84.7	100.9	-16.1%
Loss from operations (EBIT)	-6.3	-6.0	-5.0%
Earnings attributable to shareholders	-8.1	-16.1	49.7%

* Pro forma disclosures, not IFRS-compliant and unaudited.

2.2 Operating and economic performance in the Sports Segment

Compared to the prior-year quarter, the segment result in Q3 2018 improved by EUR 0.9 million. The 33.3 percent increase in operating profit is attributable in particular to the growth in the digital area.

Sports Segment | Segment performance in EUR million

	Q3 2018	Q3 2017	Change	9M 2018	9M 2017	Change
Segment sales	24.1	25.1	-4.0%	84.7	100.7	-15.9%
Segment result	-1.8	-2.7	33.3%	-3.9	-0.8	-387.5%

- Sales decline in the Sports Segment in Q3 2018 by 4.0 percent to EUR 24.1 million due to lower TV advertising revenues after the loss of the rights to the UEFA Europa League.
- Overall, sales and segment earnings in Q3 2018 were below expectations.
- The decline in sales in the Sports Segment in the first nine months resulted in particular to the loss of Sky sales at PLAZAMEDIA in the amount of around EUR 15.0 million.
- The decrease in the nine-month segment result is due to the decline in the operating result of PLAZAMEDIA by EUR 5.1 million.

- In Q3 2018, further expansion of the SPORT1 program portfolio: Acquisition of new attractive rights, amongst others, in soccer with the International Champions Cup 2018, 2019 and 2020 as well as launch of new highlight magazines „3. Liga Pur“ and „Futeboool! – Das brasilianische Fußball-Magazin“, in basketball with the rights acquisition to the easyCredit Basketball Bundesliga (BBL) for the upcoming five seasons up and including 2022/23, motorsports with the FIA World Rallycross Championship (WRX) 2018 and 2019, in boxing start of Germany’s first boxing casting show „SPORT1: The Next Rocky“, in esports rights acquisition to the FIFA eWorld Cup, and as media partner of the gamescom 2018, highlights of the world’s largest computer and video gaming convention as well as the finals of the ESL Summer Cup in FIFA 18 and League of Legends. Furthermore, SPORT1 launched an additional format under the renowned „PS PROFIS“ brand with „Die PS PROFIS – Schule“. At the start of the UEFA Champions League 2018/19, the „Fantalk“ was further extended with shows on Tuesday and now also on Wednesday.

- In the esports area, SPORT1 moreover concluded cooperation in Q3 2018 with the University for Applied Management (Hochschule für angewandtes Management, HAM) and the SPORTBUSINESS CAMPUS in order to offer insights into current esports projects as the leading esports medium in Germany for their study and further educations programs.
- In the marketing area, SPORT1 MEDIA agreed a media and marketing cooperation as a part of the rights acquisition to the International Champions Cup until 2020. At the start of the new Bundesliga season, SPORT1 MEDIA has successfully marketed the corresponding environments with renowned partners such as CHECK24, Clausthaler Alkoholfrei, Honda and Hankook.
- Free-TV ratings highlights in Q3 2018 in particular with the International Champions Cup 2018, Bundesliga formats such as „Der CHECK24 Doppelpass“ or „Bundesliga Pur“ as well as boxing and darts.

- Free-TV market shares in Q3 2018 in target group viewers overall (Z3+: 0,7%) stable and in new core target market men aged 14 to 59 years (M14-59: 1,1%) slightly below the level of the prior-year quarter, mainly due to the loss of the UEFA Europa League rights.
- In the pay-TV area, the number of subscribers as at September 30, 2018, stood at 2.11 million SPORT1+ subscribers (end of Q3 2017: 2.19 million) and 1,50 million SPORT1 US subscribers (end of Q3 2017: 1.47 million). The number of subscribers in 2017 does not include subscribers reached via the Sky platforms. In the meantime, the distribution of both channels via Sky was terminated: SPORT1+ is no longer transmitted via Sky since mid-2018 and SPORT1 US since mid-2017. The distribution of the pay-TV channels via further external platforms was expanded.
- Video views on the SPORT1 platforms (excluding YouTube) further increased compared to the third quarter 2017 due to product optimization and further development as well as new video rights.
- Video views on the SPORT1 YouTube channels significantly increased in Q3 2018 compared the reporting period last year, in particular due to the continued optimization of processes and structures on all social media platforms as well as further expansion of the video and especially the livestream offer on YouTube.
- In comparison to Q3 2017, page impressions (PIs) and visits have decreased in the mobile area in the reporting period. Particularly the coverage about the 2018 FIFA World Cup™ didn't generate the expected high ranges after the early elimination of the German national team. Positive effects were triggered as of August by the start of the new soccer season with growing visitor numbers.
- In the online area, decrease of the PIs and Visits in Q3 2018 compared to same period of the previous year. The development continues to be influenced by the ongoing shift in content usage from online to mobile.
- In Q3 2018, PLAZAMEDIA took on the production of studio productions for Warner Brothers and Disney, in addition to the personality show „Ringlsetter“ of Bayerischer Rundfunk, as well as the production management for the recording of the Sarah Brightman concert of for Music Delight.
- PLAZAMEDIA also produced the augmented reality program elements for ZDF as a part of the Bundesliga and the UEFA Nations League and took over comprehensive serial production services for Amazon, DAZN and SPORT1.
- Moreover, numerous events of renowned customers were once again held in the event location „ziegelei101“ in Q3 2018.

2.3 Others

- At EUR 0.4 million, the operating result of the holding company Constantin Medien AG (Others) in Q3 2018 was very significantly above the previous year's figure of EUR -3.6 million and also above expectations, despite legal and consulting costs remaining high and above budget.
- In particular, personnel expenses lower by EUR 1.5 million as well as an unplanned, non-recurring final payment from the Kirch Media insolvency amounting to EUR 1.1 million led to this improvement and a positive operating result of Constantin Medien AG in the third quarter 2018.

2.4 Financial result

- The financial result in Q3 2018 was EUR 0 million following EUR -5.4 million in the previous year's period, which was characterized by the interest charge of the corporate bond (EUR 1.2 million), the derecognition of a currency forwards (EUR 1.3 million) and the loss from the offsetting of Highlight Communications AG shares (EUR 3.2 million). The financial result in Q3 2018 is in line with expectations

2.5 Net liquidity/net debt

Net liquidity/net debt in EUR million

	9/30/2018	12/31/2017	Change	Change in %
Cash and cash equivalents	12.9	20.9	-8.0	-38.3
Current financial liabilities	0.0	63.9	-63.9	-100.0
Net liquidity/net debt	12.9	-43.0	55.9	-130.0

- 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 had net liquidity instead of net debt as at September 30, 2018 after several years.
- On September 20, 2018, Constantin Medien AG, Sport1 GmbH and PLAZAMEDIA GmbH as well as the Commerzbank Aktiengesellschaft concluded an agreement on a working capital facility in the amount of EUR 7 million. In this context, the agreement on a guarantee facility in the amount of EUR 7 million was renewed. At least 4 million Highlight Communications AG shares must be deposited for both credit lines together.
- The reduction in cash and cash equivalents is attributable on the one hand to the fact that the last interest payment of the corporate bond 2013/2018 (approx. 4.5 million Euro) was made from own funds and on the other hand to the investments in the new broadcasting center at PLAZAMEDIA.

2.6 Change in the scope of consolidation

- With economic effect from August 27, 2018, Constantin Sport Holding GmbH acquired a 50.1 percent shareholding in Match IQ GmbH, Hamburg, thus gaining control. The company is allocated to the Sports Segment. The complete IFRS 3 disclosures will be made in the 2018 Annual Report.
- As an official and long-term partner, Match IQ advises several Bundesliga clubs in the areas of internationalization and match day management as well as the development, acquisition and implementation of friendly matches, tournaments, training camps and foreign travel. The agency, founded in 2013 and based in Hamburg and Ismaning, draws on an international network and, together with the clubs and sponsors, creates new approaches to generate economic added value. Match IQ also develops innovative sports marketing concepts for club brands, associations, rights holders and sponsors.

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 and Management Report of the Annual Report 2017 of Constantin Medien AG.
- Detailed information on the individual risks and opportunities of Constantin Medien AG is provided in chapters 7.2.2 and 7.3.2 of the combined Group Management and Management Report of the Annual Report 2017 and in chapter 3 of the Interim Financial 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 and Management Report of the Annual Report 2017 of Constantin Medien AG.
- Changes compared to the risks and opportunities described in the combined Group Management and Management Report of the Annual Report 2017 and the Interim Financial Report 2018 of Constantin Medien AG in the reporting period:
 - **Financial risks: Value added tax audit**
 - Constantin Medien AG is currently subject to a value added tax audit with respect to a claim for pre-tax reimbursement in the amount of EUR 1.7 million. Upon request of the tax authorities, Constantin Medien AG sent a written explanation of the facts. Constantin Medien AG does not currently expect that there will be any material tax arrears in this connection. Should this happen, contrary to expectations, this would lead to an unplanned outflow of cash and cash equivalents as well as additional operating expenses.

4. Financial goals

From today's perspective, the Management Board confirms its previous financial targets for the year 2018 as a whole – particularly as the fourth quarter is regularly the strongest:

- Group sales between EUR 110 million and EUR 130 million.
- Consolidated earnings attributable to shareholders of between EUR -1.5 million and EUR -4.5 million, considering holding costs and the 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 that have a material impact on the result of operations, net assets and financial position of the Constantin Medien Group.

Ismaning, November 14, 2018

Constantin Medien AG

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