

PANTAFFLIX

ANNUAL REPORT

2018

ANNUAL REPORT 2018





RETHINKING
ENTERTAINMENT

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PANTAFLIX AG ANNUAL REPORT

PANTAFLIX AG is one of the fastest growing media companies in Europe. Consisting of the video-on-demand platform (VoD) PANTAFLIX, the traditional film production division PANTALEON Films and PANTALEON Pictures, the music label PantaSounds, the brand integration unit March & Friends and the creative agency Creative Cosmos 15, the group pursues a 360-degree approach with regard to production, distribution, exploitation and marketing, series and other entertainment formats as well as their rights. The Group's high growth dynamics stems from its progressive distribution model for international film productions on PANTAFLIX. From 2019, the video-on-demand service operated by PANTAFLIX will also serve as a central platform for developments from other Group divisions in order to guarantee maximum added value in all the company's activities.

PANTAFLIX AG has cooperation agreements with renowned partners such as Amazon, Warner Bros., Disney, StudioCanal and Premiere Digital. In its German home market, the group is based in Berlin, Cologne and Munich.

You will find PANTAFLIX AG on the stock exchange under the XETRA symbol PAL and the following ISIN: DE000A12UPJ7.

For further information, visit www.pantaflixgroup.com and www.pantaflix.com.



DEAR SHAREHOLDERS,

2018 was an eventful year. Not only for the dynamically developing film and series market in general, but also for PANTAFLIX AG in particular. I would like to offer you an insight into these significant change processes and developments during the 2018 financial year.

Film and serial productions as well as their legal exploitation form our company's DNA. In the year under review, we produced more than ever before. For us, however, quantity always goes hand in hand with quality. This is proven by our first international production RESISTANCE, which not only commemorates the life and work of world-famous mime artist Marcel Marceau, but also gathers a cast of world-class format. As film productions are a project-related business, the visibility of their revenue streams is naturally lower. In the 2018 fiscal year, we had to adjust our forecast due to a shift in our sales revenues. It should be noted that the timing of the making of a film's answer print is crucial to when productions become effective in terms of the recognition of their sales revenues. For this reason, sales revenues from the RESISTANCE and DEM HORIZONT SO NAH productions have been postponed to 2019.

Despite this shift, we significantly increased our sales revenues compared to the previous year. In the 2018 fiscal year, the PANTAFLIX Group generated growth in its sales revenues of around 25 percent to reach EUR 35.1 million, compared with EUR 28.1 million in the previous year. Thanks to the completion of commissioned productions, work in progress reduced, and consequently also our total operating performance. Total operating performance plus other operating income amounted to EUR 34.2 million in 2018, compared with EUR 41.5 million in the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 2.9 million in the 2018 fiscal year, compared with EUR 17.5 million in the previous year.

Consistent digital strategy

The year 2018 presented us with challenges, which we accepted with great passion. However, we have not – yet – been able to master all of them. In this respect, we wish to, and must, be honest. The scaling of our PANTAFLIX Video-on-Demand (VoD) platform has not yet progressed at the speed we would have liked. The distance we are travelling on the path to sustainable growth requires an endurance run rather than a sprint.

Nonetheless, we are firmly convinced that we will successfully traverse this distance in the future. In the year under review we already made major and far-reaching decisions in this regard. We are not only focused on one solution, but also evaluate and address the almost endless revenue potential that a state-of-the-art VoD platform offers. PANTAFLIX is becoming the central and connecting element of a consistent digital strategy.

Our market-proven platform, which offers stable performance forms the starting point for a large number of new business areas for the entire Group. At the same time, it forms the nucleus for the profitable integration of all Group divisions into the overall digital and growth strategy. Among other objectives, we aim to be aligned not only to a pure consumer approach – in other words, B2C – but will also increasingly adopt a B2B approach for further sustainable

monetization. We already implemented the first initiatives in this area in the 2018 fiscal year. With the publishing houses of Funke Mediengruppe, Rheinische Post Mediengruppe, Medienhaus DuMont Rheinland and Lensing Media as part of the streaming project "DIE STEINKOHLE", these business partners utilized our VoD platform as a modern and personalizable streaming solution. In addition, PANTAFLIX AG expanded its cooperation with DEUTSCHE FILMAKADEMIE as an official streaming platform for the German Film Award.

The provision of PANTAFLIX and its technology as a white label solution is one of several profitable applications. We are encountering increased interest from large B2B partners, which in turn have a large number of end customers, and aim to offer them their own video-on-demand platform. PANTAFLIX is designed to offer our potential business partners maximum flexibility. This fact also underscores the development of further sales-boosting access routes. This has led to our decision to further optimize our strategy. In addition to the well-known Transactional Video-on-Demand (TVoD), PANTAFLIX will be expanded to include Subscription Video-on-Demand (SVoD) and Advertising Video-on-Demand (AVoD). In this way, we are tapping new customer groups in a cost-effective, efficient and time-saving manner. The advantages are numerous; everyone benefits:

- PANTAFLIX content partners, which can now participate to an even greater extent and more efficiently in their content's added value through an exploitation model with branches that extend even further and deeper.
- PANTAFLIX customers. They have more options to retrieve their favorite movie or series content.
- And PANTAFLIX AG, through a massive expansion of its potential customer base

In the new fiscal year, we strengthened the PANTAFLIX team with the two proven digital and media experts Thilo Schlüter and Manuel Uhlitzsch. Thilo Schlüter will assume the position of Chief Operating Officer (COO) and, together with experienced start-up entrepreneur Manuel Uhlitzsch, will form an executive team that will closely accompany the strategy expansion and evaluation of new business areas.

Leveraging new revenue potentials

The 2018 year clearly shows that the pace of change in the media market has accelerated again. Large film studios are increasingly investing in order to position themselves in the video-on-demand sector in the future. In addition, numerous corporate customers from a wide variety of sectors are becoming more aware of the entertainment sector as a payout option in their search for ways to disseminate their brand message. Different business models' boundaries are merging. This also applies to us as PANTAFLIX AG, as we aim to meet market demand and develop with it.

The combination of spreading the brand message – marketing, in other words – with entertainment offers incredible potential. In order to exploit this, we have also tied the creative agency Creative Cosmos 15 GmbH (CC15) even more closely to the Group as a whole and acquired a majority 51 percent interest in

December 2018. This step also facilitates consolidation within the Group. CC15 offers us and our business partners the combination of the expertise of proven marketing experts paired with years of know-how in the media and entertainment sector. Innovative marketing concepts have already been successfully implemented for well-known customers such as Volkswagen, Amazon and Nike. In addition, with Joko Winterscheidt as protagonist, CC15 produced the "AutoAuto ShowShow" for Daimler AG (Mercedes-Benz), a multi-part campaign played exclusively on social media channels. We believe in the potential that "Entertainment for Brands" offers and we aim to continue to exploit it profitably, which is also underlined by Nico Buchholz's appointment as Client Service Director for CC15 at the beginning of March 2019.

Full pipeline ahead

As mentioned, the film and series business is our DNA and a cornerstone of our business model. 2018 was a successful year for our subsidiary PANTALEON Films. Right at the start of the year, our production HOT DOG started at number one in the German moviegoer charts, followed in March by the world premiere of VIELMACHGLAS. Towards the end of the year, 100 DINGE premiered in cinemas and celebrated a great success with 1.5 million viewers to date. We were also increasingly active in terms of series productions, and celebrated a highly acclaimed première with the second season of YOU ARE WANTED in Hollywood, Los Angeles. With BEAT, a series set in the Berlin techno scene, another innovative format followed, where we acted as co-producers alongside Hellinger / Doll Filmproduktion and Warner Bros. We see the awarding of the Grimme Prize to BEAT as a special recognition of our work – and that as the first ever Amazon Prime series.

We intend to build on these successes and have a pipeline that continues to be full to bursting with around 70 projects at various stages of development. With ABIKALYPSE, DEM HORIZONT SO NAH, RESISTANCE and AUERHAUS, four PANTALEON films will be released in 2019.

We have reached another milestone in series production. The series DAS LETZTE WORT is our first cooperation with streaming service Netflix. Anke Engelke is to play the lead role in the first season, which will include six episodes. The director is Aron Lehmann ("Das schönste Mädchen der Welt").

In the production business, we aim to take advantage of the tailwind from 2018 with numerous completed and yet to be completed projects. Our activities are focusing mainly on further internationalizing our productions without losing sight of our home market.

We raise entertainment to a new level

For PANTAFLIX AG, the developments described in the areas of streaming, content production and innovative marketing offer numerous opportunities. Thanks to our positioning and the structures created in the 2018 fiscal year, we are well placed to seize the opportunities that present themselves. With cash and cash equivalents of EUR 13.9 million, we are also in a position to respond flexibly to any market situation and at the same time provide solid financing for all activities necessary to expand our business. Furthermore, in February 2019,

a strategic investor acquired a 10 percent interest in the company, which will support us in our operational projects. The shares were placed by means of a cash capital increase from authorized capital.

Overall, we are optimistic that we will be able to benefit from the dynamic growth and development of the media market, and leverage further sales revenue potential. We expect a slight increase in sales revenues for the PANTAFLIX Group in the 2019 fiscal year. Since shifts of projects within the film sector can never be completely ruled out, a variation in revenues in the mid to high single-digit million euro range can never be fully ruled out. Despite such shifts and increased expenses, especially for marketing, sales and technology, the forecast envisages a significant improvement in the operating result (EBIT).

The basis for our success is first and foremost our passionate and committed team. For this reason, I would like to take this opportunity to thank all our employees for their commitment in the 2018 fiscal year.

Dear shareholders, the media market continues to offer us numerous opportunities. The past fiscal year was not an easy one for us, but we have nevertheless laid the foundations to penetrate further lucrative business areas with success. We will be able to benefit from the changes in the market through even stronger networking of all Group divisions. We believe in our vision and would like to take the next step in the development of PANTAFLIX together with you. We are looking forward to this.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N. Paalzow', with a stylized, cursive script.

Nicolas Sebastian Paalzow

PRIME ORIGINAL
YOU ARE WANTED
 prime



ABIKALYPSE
 REZA BROJERDI LEA VAN ACKEN LUCAS REIBER JERRY HOFFMANN

WUNDER MUSIC PICTURES PRÄSENTIERE EINE PRODUKTION VON FRANTZ FELD UND WARREN BRAG. FILM PRODUCTIONS GERMANY. ABIKALYPSE
 REZA BROJERDI LEA VAN ACKEN LUCAS REIBER JERRY HOFFMANN
 WUNDER MUSIC PICTURES PRÄSENTIERE EINE PRODUKTION VON FRANTZ FELD UND WARREN BRAG. FILM PRODUCTIONS GERMANY. ABIKALYPSE
 REZA BROJERDI LEA VAN ACKEN LUCAS REIBER JERRY HOFFMANN
 WUNDER MUSIC PICTURES PRÄSENTIERE EINE PRODUKTION VON FRANTZ FELD UND WARREN BRAG. FILM PRODUCTIONS GERMANY. ABIKALYPSE
 REZA BROJERDI LEA VAN ACKEN LUCAS REIBER JERRY HOFFMANN

FLORIAN DAVID FITZ MATTHIAS SCHWEIGHÖFER

100 DINGE

EIN FILM VON FLORIAN DAVID FITZ

WUNDER MUSIC PICTURES PRÄSENTIERE EINE PRODUKTION VON FRANTZ FELD UND WARREN BRAG. FILM PRODUCTIONS GERMANY. 100 DINGE
 REZA BROJERDI LEA VAN ACKEN LUCAS REIBER JERRY HOFFMANN
 WUNDER MUSIC PICTURES PRÄSENTIERE EINE PRODUKTION VON FRANTZ FELD UND WARREN BRAG. FILM PRODUCTIONS GERMANY. 100 DINGE
 REZA BROJERDI LEA VAN ACKEN LUCAS REIBER JERRY HOFFMANN
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 REZA BROJERDI LEA VAN ACKEN LUCAS REIBER JERRY HOFFMANN

AB 6. DEZEMBER IM KINO



DEAR SHAREHOLDERS,

In the following report, the Supervisory Board would like to inform you about its activities in the 2018 financial year.

Supervisory Board activity in the 2018 financial year

In the 2018 financial year, the Supervisory Board concerned itself with the company's business performance as well as with its financial performance and position on an ongoing basis in accordance with the tasks and responsibilities incumbent upon it according to the law and its articles of association. It regularly advised the Management Board on its intended business policy and other fundamental issues and supervised its management of the company. Standards for this supervision included the legality, compliance, functionality and efficiency of the management of the company. The Supervisory Board received information on key business transactions both verbally and in writing as part of regular reporting in accordance with Section 90 of the German Stock Corporation Act (AktG). This was also the case outside the scope of Supervisory Board meetings.

The Supervisory Board held a total of 22 meetings in the year under review, of which 4 were personally attended meetings and 18 were telephone meetings. In addition, the Supervisory Board passed resolutions twice by way of written circulation. At these meetings, the Supervisory Board discussed in detail the company's position, its annual financial statements, the strategy and the risk controlling system of the Management Board and the human resources situation. Resolutions included a stock option program, Management Board and other personnel matters as well as budget planning. Each of the meetings was attended by all of the members of the Supervisory Board. For individual items of the Supervisory Board meetings, the Management Board and other employees were invited as guests to present issues and answer any questions that arose.

Moreover, the Supervisory Board was in regular contact with the Management Board outside the scope of Supervisory Board meetings and ensured that it was comprehensively informed about the current course of business and significant business transactions. The Supervisory Board also examined key individual business transactions and resolved on matters requiring its approval. All decisions and measures requiring approval were discussed extensively, resolutions were passed on the basis of such consultations, and under the resultant resolutions proposed by the Management Board were passed.

As a consequence, the Supervisory Board performed the tasks incumbent upon it by the law and the articles of association. No conflicts of interest were notified or arose on the part of the Management Board and the members of the Supervisory Board in the past financial year.

As the Supervisory Board consists of three members as prescribed by the articles of association, it has not formed any committees. In the course of their activities, all the Supervisory Board members were involved in all the tasks of the Supervisory Board.

Audit and adoption of the annual financial statements

VOTUM AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main, audited the annual financial statements of PANTAFLIX AG for the year ended 31 December 2018 and the voluntarily prepared consolidated financial statements and Group management report for the year ended 31 December 2018 in accordance with the German Commercial Code (HGB), and issued each of them with unqualified audit opinions. The consolidated financial statements and Group management report were prepared on a voluntary basis in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). In its report, the auditor presented the risk management and monitoring system adopted by the Management Board and found it to be suitable for identifying at an early stage developments that could jeopardise the company as a going concern.

The Supervisory Board examined the separate annual financial statements, the consolidated financial statements and Group management report of PANTAFLIX AG for the year ended 31 December 2018 with a particular view to their legality, compliance and functionality and discussed the documents forming the basis for the draft audit report in detail with the Management Board and with the auditor. The auditor reported on the results of the audit at the Supervisory Board meeting on 23 May 2019 as a whole and on the individual focus areas of the audit, and answered the questions of the members of the Supervisory Board in detail. The members of the Supervisory Board took note of and critically evaluated the audit reports and the audit opinions, and discussed them with the auditor along with the audits themselves, which included questions on the nature and scope of the audit and on the results of the audit. The Supervisory Board was satisfied concerning the proper nature of the audits and the audit reports. The Supervisory Board subjected the separate annual financial statements, the consolidated financial statements and the Group management report to its own comprehensive review. We concur with the results of the audit.

The Supervisory Board conducted a final examination of the separate annual financial statements, the consolidated financial statements and the Group management report of PANTAFLIX AG for the year ended 31 December 2018, taking the auditor's reports into account, and raised no objections based on the results of its examination. The Supervisory Board approved the

separate annual financial statements prepared by the Management Board at an attendance meeting with a corresponding resolution on 23 May 2019, as a consequence of which the separate annual financial statements are adopted.

In addition, the Supervisory Board approved the consolidated financial statements and Group management report of PANTAFLIX AG for the 2018 financial year as voluntarily prepared by the Management Board.

Personnel changes in the Supervisory Board

In accordance with the provisions of the articles of association of PANTAFLIX AG, the Supervisory Board is composed of three members. The current members of the Supervisory Board are Marcus Machura (Chairman of the Supervisory Board), Eerik Budarz (Deputy Chairman of the Supervisory Board) and Marc Schönberger.

Personnel changes occurred in the Supervisory Board during the reporting period. Mr. Mathis Schultz resigned as Chairman of the Supervisory Board on 7 June 2018 while retaining his seat on the Supervisory Board. The Supervisory Board then elected the previous Deputy Chairman of the Supervisory Board, Mr. Marcus Machura, as the new Chairman and Mr. Marc Schönberger as the new Deputy Chairman of the Supervisory Board. In addition, Mr. Mathis Schultz resigned from his office as a member of the Supervisory Board at the end of 31 August 2018. The Munich District Court appointed Mr. Eerik Budarz as a member of the Supervisory Board by resolution of 13 September 2018. On 11 October 2018, Mr. Marc Schönberger resigned from his position as Deputy Chairman of the Supervisory Board and retained his seat on the Supervisory Board. The Supervisory Board then elected Mr. Eerik Budarz as the new Deputy Chairman of the Supervisory Board.

Personnel changes in the Management Board

In accordance with the provisions of the articles of association of PANTAFLIX AG, the Management Board is composed of one or several members. Mr. Nicolas Paalzow is currently the sole member of the Management Board of PANTAFLIX AG.

Personnel changes occurred to the Management Board in the period under review. On 23 March 2018, the term of office of Mr. Nicolas Paalzow was extended until 31 October 2022. Furthermore, Mr. Dan Maag resigned from his position as a member of the Management Board of PANTAFLIX AG with immediate effect on 22 April 2018. On the same date, the Supervisory Board reappointed Stefan Langefeld to the company's Management Board and appointed him Chairman of the Management Board (CEO) until the end of 30 April 2022.

On 30 January 2019, after the end of the reporting period, Mr. Stefan Langefeld resigned as a member of the Management Board of PANTAFLIX AG with effect from 31 January 2019.

Dependent company report

The Management Board prepared a dependent company report for the 2018 financial year. Having audited this dependent company report, the auditor of the financial statements reported in writing on the results of its audit and issued the following unqualified audit opinion:

After our dutiful examination and assessment, we confirm that:

- the actual details of the report are correct,
- in the transactions listed in the report, the performance of the company was not unduly high or disadvantages were compensated,
- no circumstances in the measures listed in the report suggest an assessment other than that of the Management Board.

The aforementioned dependent company report and the report by the auditor were provided in good time to all members of the Supervisory Board for examination. The auditor of the financial statements reported on the results of its audit at the Supervisory Board meeting on 23 May 2019 and responded to queries. The members of the Supervisory Board noted, critically assessed and discussed the dependent company report and the audit opinion. Finally, the Supervisory Board subjected the dependent company report to its own detailed review. In particular, the Supervisory Board came to the conclusion that the report complied with the legal requirements. In particular, the Supervisory Board examined the dependent company report for completeness and accuracy and, in doing so, ascertained that the group of affiliated companies was determined with due care and necessary arrangements were made for the detection of reportable legal transactions and activities. No objections to the dependent company report became evident during this examination. The Supervisory Board did not raise any objections to the concluding statement by the Management Board contained in the report.

The Supervisory Board wishes to express its appreciation and gratitude for the commitment and performance of the Management Board and the employees of the company in the past financial year.

For the Supervisory Board



Marcus Machura
Chairman of the Supervisory Board





A TEAM OF
DIGITAL
EXPERTS &
FILM LOVERS

CORPORATE STRUCTURE

PANTAFLIX

PANTAFLIX
TECHNOLOGIES



PANTAFLIX AG
Munich

Holding company for the PANTAFLIX Group

Strategic management, controlling,
administration, business development,
investor relations

PANTAFLIX Technologies GmbH
Berlin

wholly-owned subsidiary

Global VoD service

PANTALEON Films GmbH
Munich

wholly-owned subsidiary

Rights holder for the
PANTAFLIX Group

Development, financing,
exploitation, rights library,
production

All information contained in this report
current as at 31 December 2018

*Parent company for the
wholly-owned subsidiary
The Special Squad UG



PANTALEON Pictures GmbH
Munich

wholly-owned subsidiary

Contract producer for the
PANTAFLIX Group

Full-service provider for the
entire production process

March&Friends.

March & Friends GmbH
Munich

wholly-owned subsidiary

Agency for the
PANTAFLIX Group

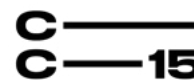
Social media,
brand integration,
branded entertainment



PantaSounds GmbH
Berlin
57,5%-owned subsidiary

Music label for the
PANTAFLIX Group

Music production,
rights exploitation



Creative Cosmos 15 GmbH
Munich

51%-owned subsidiary

Creative agency for
PANTAFLIX Group

Branded entertainment



A WORLD
OF PREMIUM
CONTENT



THE PANTAFLIX AG SHARE

In February 2018, the shares of PANTAFLIX AG were included in the new Scale 30 selection index of the Deutsche Börse. PANTAFLIX AG qualified for inclusion based on its order book turnover at the Xetra and Frankfurt trading centres. The Scale 30 index tracks the price performance of the 30 most liquid shares in the Scale segment in real time and is available in a price version and a performance version (ISIN: DE-000A2JOPW5/DE000A2GYT2). Weighting within the index is based on market capitalisation and is adjusted quarterly.

SHARE PRICE PERFORMANCE IN 2018

After an initially solid sideways movement at the beginning of 2018, international equity markets reported negative price trends in the first three months of the current reporting year due to strained trade relations and financing stress on the US bond market. In the second quarter, quoted prices partially offset the losses, supported by signs of stabilisation in the global economy and the positive development of corporate profits. The signs of recovery strengthened in the subsequent third quarter of 2018. During this period, positive corporate earnings in key economies such as Europe, Japan and the USA, in particular, supported stock market trends. In the fourth quarter, the further worsening of the trade conflict between the USA and China as well as weaker economic data and expectations for the global economy led to significant price declines in key indices. The increasing break placed by the US Federal Reserve Bank (Fed) on its expansive monetary policy unsettled capital market participants. Overall, the Fed raised its fed funds rate in four steps.

The German share index (DAX) started the stock market year at 12,898 points on 2 January 2018. The index of leading shares reached new high of 13,595 points on 23 January 2018. At the end of 2018, the DAX closed at 10,559 points, representing a loss of 18.3 %. The Scale All Share Index, in which the PANTAFLIX AG share is also listed, ended 2018 with a quotation of 1,010 points and a loss of 23.0 %. The narrower Scale 30 index closed at 916 points and a depreciation of 26.8%. The period under consideration for the Scale 30 index ranges from the date of its launch on 7 February 2018 to the close of trading in 2018 on 28 December 2018.

In 2018, the PANTAFLIX share was unable to match its positive price performance in 2017. The company's operative progress, such as the extended reach of the VoD PANTAFLIX platform, the expansion of its film and series catalogue and the production pipeline of the PANTALEON Films subsidiary, which was filled to record levels, failed to be reflected in its share price

performance. In addition, the forecast adjustment of 3 December 2018 exerted a significant negative impact on the price of the PANTAFLIX share.

The PANTAFLIX share started Xetra trading on 2 January 2018 at a price of EUR 189.00 (EUR 17.18 adjusted for splits) and reached its highest level for full 2018 year on 22 January at EUR 206.00 (EUR 18.45 adjusted for splits). On 22 November 2018, PANTAFLIX AG implemented the 1:10 share split which had been approved at the Annual General Meeting on 25 July 2018. As of 29 November 2018, for each no-par-value share with a proportionate amount of the share capital of EUR 1.00 previously held in custody for shareholders, shareholders held by way of record 10 additional no-par-value shares with a proportionate amount of the share capital of EUR 1.00 each. The PANTAFLIX AG shares marked their low of EUR 1.14 on 10 December 2018. At the end of the first half of 2018, trading in PANTAFLIX AG shares closed at a price of EUR 1.38 on 28 December 2018.

After the end of the reporting period, the PANTAFLIX share reported a recovery trend that firmed over the course of the first quarter of 2019. Based on a positive news flow and an overall brightening of market sentiment, the share price rose to EUR 2.71 on 29 March 2019 (closing price). This corresponds to a share price appreciation of 96.4 percent compared with the 2018 closing price.

SHARE PRICE PERFORMANCE

Opening price	2 January 2018	EUR 17.18*
Low	10 December 2018	EUR 1.14
High	22 January 2018	EUR 18.45*
Closing price	28 December 2018	EUR 1.38
Market capitalisation	28 December 2018	EUR 19.3 million
Price performance		- 93.2 percent

* split adjusted

In the reporting period, the average trading volume with PANTAFLIX shares on all German stock exchanges increased significantly to 59,338 shares as against 2,245 shares in the same period of 2017. As at 28 December 2018, the market capitalisation amounted to EUR 19.3 million based on 13,975,500 shares. As of the 2017 reporting date, the market capitalisation based on a closing price of EUR 189.10 and the same number of shares was EUR 240.3 million (all figures based on Xetra share prices).

As the designated sponsor, Hauck & Aufhäuser Privatbankiers AG issues binding bid and offer prices and thereby ensures adequate fungibility of the PANTAFLIX share. Interested investors can find more information in the Investor Relations section of the website at www.pantaflixgroup.com.

SHARE INFORMATION

Stock exchange	Xetra, Frankfurt
Symbol	PAL
Total number of shares	15,373,050
Amount of share capital	EUR 15,373,050
ISIN	DE000A12UPJ7
WKN	A12UPJ
Market segment	Open market
Transparency level	Scale
Index membership	Scale 30, MSCI Germany Index
Designated Sponsor	Hauck & Aufhäuser Privatbankiers AG

* As of 31 March 2019

INVESTOR RELATIONS

PANTAFLIX AG attaches great importance to communication policies that are closely attuned to the market. This policy forms an important element of the corporate strategy, which is underscored the high level of commitment shown by management and investor relations in the 2018 financial year with participation in a total of 15 roadshows and conferences. PANTAFLIX AG discussed business development and trends with institutional and private investors, financial analysts and representatives of the financial and business press, and explained the Group's strategy.

OVERVIEW OF INVESTOR RELATIONS CONFERENCES

February 2018
Metzler/Auerbach Grayson Roadshow, Salt Lake City, USA

February 2018
Metzler/Auerbach Grayson Roadshow, Chicago, USA

February 2018
Metzler/Auerbach Grayson Roadshow, New York, USA

February 2018
12th ODDO BHF German Conference, Frankfurt/Main

March 2018
Metzler German Microcap Day, Frankfurt/Main

April 2018
London Roadshow, Hauck & Aufhäuser, London, England

April 2018
Frankfurt Roadshow, Hauck & Aufhäuser, Frankfurt/Main

April 2018
Münchner Kapitalmarktkonferenz – MKK, Munich

May 2018
Auerbach Grayson Roadshow, New York, USA

May 2018
Frühjahrskonferenz, Frankfurt/Main

May 2018
Stockpicker Summit, Saint Tropez, Frankreich

May 2018
Zürich Roadshow, Hauck & Aufhäuser, Zürich, Switzerland

September 2018
Investor Targeting, Deutsche Börse Cash Market, Monaco

October 2018
Paris Roadshow, Hauck & Aufhäuser, Paris, France

October 2018
Helsinki Roadshow, Hauck & Aufhäuser, Helsinki, Finland

ORDINARY ANNUAL GENERAL MEETING / ISSUE OF FREE SHARES

The Annual General Meeting of PANTAFLIX AG was held in Munich on 25 July 2018. The Management Board provided information on the positive trend in the 2017 financial year and answered questions from the shareholders.

Shareholders approved the resolution relating to the capital increase from the company's funds in an amount of EUR 12.7 million with a very large majority. It increased PANTAFLIX AG's share capital by EUR 12,705,000.00 from EUR 1,270,500.00 to EUR 13,975,500.00 through the conversion of part of the company's capital reserves recognised in the annual balance sheet as at 31 December 2017. The associated share split was implemented by issuing 12,705,000 new shares. On 29 November 2018, the company's shareholders received bonus shares at a ratio of 1:10 from the increase in share capital through a (partial) conversion of own capital reserves.

The shareholders clearly approved the actions of the Management Board and the Supervisory Board and adopted the management's proposals for all agenda items by large majorities. The results of the votes held at the 2018 Annual General Meeting are available to download at www.pantaflixgroup.com.

CASH CAPITAL INCREASE

After the end of the reporting period, the Management Board passed a resolution on 18 February 2019 to increase the company's share capital by issuing 1,397,550 new no-par-value bearer shares (equivalent to 10 percent of the previous share capital) against cash capital contributions, making partial use of the existing authorized capital of EUR 13,975,500 and excluding shareholders' subscription rights. The new shares are dividend-entitled from 1 January 2018. The 1,397,550 new shares were placed by way of a private placement excluding subscription rights Pursuant to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG). As a consequence, the new amount of share capital stands at EUR 15,373,050 with a total of 15,373,050 shares.

SHAREHOLDER STRUCTURE

The company is aware of the shares that must be disclosed pursuant to Section 20 (5) of the German Stock Corporation Act (AktG). As a consequence, BlackMars Capital GmbH continues to directly own more than a quarter of the shares in PANTAFLIX AG. The management of BlackMars Capital GmbH owns less than 50 percent of the PANTAFLIX shares.

FINANCIAL CALENDAR 2019

15 to 17 May 2019
Stockpicker Summit

June 2019
Annual Report 2018

23 July 2019
Annual General Meeting

September 2019
Half-Year Report 2019

27 September 2019
Baader Investment Conference

19 November 2019
Deutsche Börse Cash Market Investor Targeting

25 to 27 November 2019
German Equity Forum

GROUP MANAGEMENT REPORT

1. BASIC INFORMATION ON THE GROUP

PANTAFLIX AG is an international media company with a strong focus on movie theatre and video-on-demand. The core activity of PANTAFLIX AG and its subsidiaries is the development and production of theatrical feature films and licensing rights to those films on a national and international basis, mainly through globally leading film distributors across many stages of the licensing chain. PANTAFLIX AG now operates its eponymous, innovative cloud-based video-on-demand (VoD) platform PANTAFLIX, which gives the Group a further pillar in one of the fastest-growing market segments of the entertainment industry. With this move, PANTAFLIX is evolving from a media company into a digital company with access to corresponding economies of scale. PANTAFLIX AG, as the holding company, performs a strategic management function for the PANTAFLIX Group. Based in Munich, the holding company is responsible for core functions such as management and controlling as well as public and investor relations and performs additional tasks in the administration and business development areas for its subsidiaries.

The foundations for the PANTAFLIX Group were laid with the formation of PANTALEON Entertainment GmbH in Berlin in 2009. Today, PANTAFLIX is one of the leading German production companies for movies and innovative entertainment formats. The feature films and series developed at its offices in Berlin, Munich and Cologne have consistently ranked among the most successful German productions of recent years.

PANTALEON Films GmbH develops, finances, produces and licenses films as the rights holder. Based in Munich, the company is a wholly owned subsidiary of PANTAFLIX AG. In the 2018 fiscal year, it collaborated closely with its affiliated company PANTALEON Pictures GmbH.

PANTALEON Pictures GmbH focuses on contract productions. The company, which was founded in 2014 and is based in Munich, is a wholly owned subsidiary of PANTAFLIX AG.

March&Friends GmbH is active in the branded entertainment, brand integration and social media areas. Based in Munich, the company is a wholly owned subsidiary of PANTAFLIX AG. March&Friends GmbH serves as an interface between the creative business activities of the PANTAFLIX Group and external advertising companies.

Berlin-based **PANTAFLIX Technologies GmbH** bundles the innovative activities of the PANTAFLIX Group in the video-on-demand area. The company is a wholly owned subsidiary of PANTAFLIX AG and was formed in November 2015.

The subsidiary **PantaSounds GmbH**, based in Berlin, pools the PANTAFLIX Group's activities in the music sector. In addition to the PANTAFLIX Group's film and series soundtracks, the goal is also particularly to provide artists with the best possible springboard and expert marketing in the music sector. The resultant rights are marketed together with international partners. The company is a 57.5 percent subsidiary of PANTAFLIX AG. The company was founded in the second quarter of 2016.

Creative Cosmos 15 GmbH, a 51 percent equity interest of PANTAFLIX AG, significantly extends the Group's value chain in terms of innovative marketing concepts and media strategies. CC15 successfully implemented wide-ranging marketing concepts for Volkswagen, Amazon and Nike. For Mercedes-Benz, CC15 2018 produced the "AutoAuto ShowShow" (www.youtube.com) with Joko Winterscheidt as protagonist. The multi-part campaign can only be seen on social media channels. Creative Cosmos 15 was founded in April 2016.

2. BUSINESS MODEL

2.1 FILM PRODUCTION DIVISION

In Film and Series Production Division, the PANTAFLIX Group produces movie theatre movies as in-house productions and co-productions, and licenses the resultant rights together with its global partners. As a rule, series production is ordered production at present. The PANTAFLIX Group's in-house productions and co-productions are based on secured production finance. The first pillar is the advance sale of rights of use that are initially limited in terms of time, place and content. In particular, this relates to licensing rights for movie theatre, home entertainment, pay TV, free TV and global distribution rights, which are monetized by agreeing guarantee payments in the form of minimum guarantees. A second pillar of production finance is the funding provided by institutions in Germany and abroad, most of which takes the form of loans that are repayable only in the event of a successful outcome. Other funding includes reference funds, which are generated by previous film productions achieving certain viewer numbers or successful participations in festivals and film awards and which can be accessed by PANTAFLIX AG or its

subsidiaries to finance new film projects. PANTAFLIX AG and its subsidiaries organize interim financing to take account of the fact that the financing components for a movie are paid in instalments throughout the entire production period. Although this interim financing is shown on the balance sheet as a financial liability, it does not increase the implicit debt accordingly, as the coverage of the total amount including interest, and thereby also its repayment, is already arranged and determined in advance by other financing components such as minimum guarantees and subsidies.

The production of movies and their ownership generates economically relevant rights in the form of a rights library that is marketed via different licensing stages. Depending on a film's success, income can still be generated years after initial licensing in the movie theatre, such as from the sale of remake rights for geographical territories or broadcast rights for free TV. In the past, within the PANTAFLIX Group both PANTALEON Entertainment GmbH and PANTALEON Films GmbH produced movies and thereby became the holders of the corresponding rights.

In addition to the focus on in-house and commissioned production of films, the PANTAFLIX Group's established infrastructure enables it to expand its business activities to include VoD series. Contract production describes the production of TV content (e.g. TV or show formats) on behalf of a TV network, TV station or video-on-demand provider, for example. Contract production is performed for a fixed fee, with rights to a share of income also being granted. In cooperation with streaming services such as Amazon, YouTube or Netflix, PANTALEON Films GmbH produces premium content in the form of series formats. These include the two seasons of the thriller series YOU ARE WANTED in co-production with Warner Bros. Entertainment GmbH and Warner Bros. International Television Production Deutschland GmbH for the streaming offering of Amazon, Amazon Prime Video. With BULLSPRIT, PANTALEON Films produced a series for the premium offer of the online video portal YouTube. The first season of the VoD series DAS LETZTE WORT for the streaming service Netflix is also in preparation.

The tasks and responsibilities within the Group have been strategically reallocated with the formation of PANTALEON Pictures GmbH and the conversion of PANTALEON Entertainment GmbH into a stock corporation under German law. PANTAFLIX AG focuses on the areas of Group management and controlling

and business development, as well as performing sub-functions such as administration for its subsidiaries. PANTALEON Films GmbH and PANTALEON Pictures GmbH develop, finance, produce and license films, with PANTALEON Pictures GmbH focusing on contract productions.

2.2 VIDEO-ON-DEMAND DIVISION

In the Video-on-Demand Division, the innovative PANTAFLIX platform enables the Company to provide consumers worldwide with access to films that were previously unavailable to them. As a cloud-based streaming platform, PANTAFLIX pursues a fundamentally innovative approach: To date, the business model with VoD (Video-on-Demand) has been that providers buy rights packages from the studios and exploit them in individual defined territories. As a consequence, filmmakers and rights holders are practically unable to make their films directly available to consumers outside their domestic market via one of the established video-on-demand platforms. The current structure of the video-on-demand market is sub-optimal for all stakeholders: For the VoD provider, the system is cost-intensive because extensive rights packages have to be acquired. It is detrimental for filmmakers and rights holders, as the intermediate sales structures mean their revenue share is lower than it needs to be.

The existing system is disadvantageous for consumers as a large number of all films produced worldwide are essentially unavailable outside their country of origin. With PANTAFLIX, the PANTAFLIX Group possesses a technological solution for enabling filmmakers and rights holders to market their films globally with just a few clicks. At the same time, the platform gives consumers access to films that were previously unavailable to them. At the end of the period under review, the Group's VoD activities were spun off in 2015 to the wholly owned subsidiary PANTAFLIX Technologies GmbH, Berlin.

From mid-2019, an expanded executive team will also integrate all Group divisions even more intensively into the Group's overarching digital strategy than previously. The video-on-demand offering operated by PANTAFLIX is intended to serve in future as a central platform for developments from other Group divisions in order to ensure maximum added value in all the company's activities.

In addition, Business Development is further intensifying its efforts to identify new, additional business areas that are

particularly suitable for a technologically advanced platform such as, to a great extent, pantaflix.com.

2.3 OTHER DIVISIONS

In addition to the production of feature films and series as well as the PANTAFLIX video-on-demand platform, PANTAFLIX AG with its subsidiary March & Friends GmbH positions itself particularly in the areas of branded entertainment, brand integration and social media. March&Friends GmbH serves as an interface between the creative business activities of the PANTAFLIX Group and external advertising companies. The PANTAFLIX Group's prominent market position in the movie theater segment means the company is able to initiate business with national and international corporations wishing to place their products in movies or enter into standalone advertising projects with performers who work with PANTAFLIX Group companies on their film productions.

With effect from 18 December 2018, PANTAFLIX AG increased its interest in the creative agency Creative Cosmos 15 GmbH (CC15) from 40.5 percent to 51 percent. PANTAFLIX AG has tied its creative potential and access to a vital business segment more closely to the Group through its majority interest; consolidation within the Group is now possible. With this transaction, the Group is primarily extending its value chain in terms of innovative marketing concepts and media strategies. The focus is on an "Entertainment for Brands" approach. In the past, we have already succeeded in successfully implementing eye-catching and wide-ranging marketing concepts for renowned customers such as Volkswagen, Amazon and Nike. The appointment of Nico Buchholz as Client Service Director at the end of the reporting period at the beginning of March 2019 underscores the importance of CC15 for the Group as a whole.

In the Music Production division, the PANTAFLIX Group creates master copies for audio media and live music audio-visual media as in-house productions and co-productions. PANTAFLIX with international partners licenses the resultant rights. Under label distribution agreements, these partners are granted licensing rights that are limited in terms of time, place and content. The licensing rights comprise the manufacture and distribution of audio media, for which they receive manufacturing costs, copyright payments and revenue-based distribution fees. The PANTAFLIX Group receives the sales revenues after these items have been deducted. In addition, it receives non-refundable prepayments used to finance the production of reproducible master copies.

The PANTAFLIX Group consists of the parent company PANTAFLIX AG, Munich, and the consolidated subsidiaries PANTALEON Films GmbH, Munich, PANTALEON Pictures GmbH, Munich, March & Friends GmbH, Munich, PANTAFLIX Technologies GmbH, Berlin, PantaSounds GmbH, Berlin and Creative Cosmos 15 GmbH, Munich. The parent company holds a 57.5 percent interest in PantaSounds GmbH. PANTAFLIX AG holds 51 percent of the creative and production agency Creative Cosmos 15 GmbH (CC15), Munich. All other subsidiaries were wholly owned by the parent company at the reporting date. Indirectly via its subsidiary PANTALEON Films GmbH, PANTAFLIX AG continues to wholly own its subsidiary THE SPECIAL SQUAD UG, a vehicle for cooperation with US screenwriters belonging to the Writers Guild of America.

3. OBJECTIVES AND STRATEGY

PANTAFLIX AG derives its strategy from the objective of developing into one of the leading and financially strongest media companies in Europe with a focus on film and series production as well as video-on-demand together with its subsidiaries over the coming years. To this end, PANTAFLIX AG and its subsidiaries have initiated a range of measures that they consider to be appropriate to achieve this objective.

4. CONTROL SYSTEM

Despite the impact of its dynamic growth strategy, such as with regard to the Video-on-Demand division and the expansion of the project and development pipeline, the Group intends to increase its operating result (EBIT) in the long term. Accordingly, it is committed to achieving an appropriate balance between investing in growth and optimizing the cost structure. The Group is managed using the key performance indicators of revenue and EBIT. Other performance indicators including EBITDA, cash flows and the equity ratio are also applied. In addition, control is based on qualitative results, such as the development of new film and series projects, the acquisition of new partners and the degree of success of film and series projects in their various stages of licensing.

5. PROJECT DEVELOPMENT AND PROJECT PIPELINE

5.1 PROJECT DEVELOPMENT

The PANTAFLIX Group produced the following films and series in the 2018 financial year:

100 DINGE

The year 2018 started with a major and promising project. For the film 100 DINGE, the company succeeded in engaging an exciting cast: The leading roles are played by Florian David Fitz (Paul), Matthias Schweighöfer (Toni) and Miriam Stein (Lucy). Other cast members include Sarah Viktoria Frick, Johannes Allmayer, Max Bretschneider, Hannelore Elsner, Maria Furtwängler, Wolfgang Stumph and Katharina Thalbach. Florian David Fitz directed and wrote the screenplay. In the story, Paul (Florian David Fitz) and Toni (Matthias Schweighöfer) have to renounce all their possessions for 100 days, such as an expensive espresso machine, sneakers and a beloved smartphone. As part of a bet, one item is returned to them every day. The film thereby adopts a distinct approach to posing essential life questions concerning happiness and material possessions. The movie theatre launch was held in the same year on 6 December 2018. A total of almost 1.5 million viewers in Germany saw the film in movie theatres.

ABIKALYPSE

In late summer 2018 the shooting of the film ABIKALYPSE commenced. This is a "coming-of-age outsider comedy" for a young audience. Four dissimilar friends (Musti, Hannah, Yannick and Tom) successfully have completed their school years together. To celebrate this event, they aim to have a really good time and throw the best party of the century at their school. Director Adolfo Kolmerer brings the film to the big screen with leading actors Reza Brojerdi, Lea van Acken, Lucas Reiber, Jerry Hoffmann and Lisa Marie Koroll. The movie theatre release is on 24 July 2019.

YOU ARE WANTED SEASON 2

After an above-average successful launch weekend to the first season, PANTALEON Films received the follow-up order for the production of the second season, for which the shooting was successfully completed towards the end of 2017, and went on to celebrate its premiere in spring 2018. The series also met with tremendous response internationally: In 70 countries, YOU ARE WANTED ranked as one of the five most-viewed series of the launch weekend, including Canada, Mexico, Brazil, France, Italy

and Spain. For PANTALEON Films, the record launch of their first streaming series represented an excellent start in the fast-growing streaming series production sector. YOU ARE WANTED 2 celebrated a much-acclaimed world premiere in Hollywood / Los Angeles in May 2018.

BEAT

After the great success of YOU ARE WANTED, PANTALEON Films, together with Warner Bros. and Hellinger/Doll Filmproduktion, has now produced a second series with BEAT for Amazon. This was made available for download on the Amazon Prime Video streaming portal at the beginning of November 2018. The series was awarded the renowned Grimme Prize as a special distinction. The lead roles, amongst others, are played by Karoline Herfurth, Jannis Niewöhner, Kostja Ullmann, and Christian Berkel. Marco Kreuzpaintner ("Krabat", "Coming In", "Trade") is the director.

DEM HORIZONT SO NAH

The novel adaptation DEM HORIZONT SO NAH is the first part of a trilogy and an impressive success story. Within a few weeks, the novel ranked first on the Amazon bestseller list and has sold almost 800,000 copies to date. It tells an emotional story of love, courage, strength and trust. Luna Wedler and Jannik Schümann under the direction of Tim Trachte assumed the lead roles for the movie theatre adaptation. Shooting started in September 2018. It is the first collaboration with Studiocanal, which will bring the film to movie theatres in October 2019.

RESISTANCE

With RESISTANCE, PANTALEON Pictures began shooting the largest international feature film production to date in October. The heroic story tells of the life and, above all, work of the great mime artist Marcel Marceau, who saved thousands of Jewish orphans during the Second World War. Jonathan Jakubowicz work as director puts Jesse Eisenberg (Marcel Marceau) and Matthias Schweighöfer (Klaus Barbie, head of the Gestapo in Lyon) before the cameras. Other first-class actors such as Ed Harris, Édgar Ramírez, Félix Moati, Bella Ramsey, Géza Röhrig and Karl Markovics also make appearances. The film was shot at the end of November 2018 and is currently in post-production. The movie theatre release is planned for autumn 2019.

TRAUMFABRIK

With TRAUMFABRIK, Studio Babelsberg is bringing a big love story to the cinemas in July 2019. PANTALEON Films is on board as co-producer. Martin Schreier directed the film, Emila Schüle and Dennis Mojen are the actors.

5.2 PROJECT PIPELINE

The PANTAFLIX Group has developed round 70 innovative and commercial movies and series formats. In 2018, and beyond the year under review, PANTALEON Films has produced more films than ever before. Continuous collaboration with potential commissioning companies such as Amazon Prime Video and Netflix expands the pillar of the PANTAFLIX Group relating to the Film and Series Production Division.

For the PANTAFLIX Group, the 2019 production year started with shooting for AUERHAUS. The film will be produced by PANTALEON Films in co-production with its long-standing partner Warner Bros. Entertainment GmbH and Brainpool Pictures. Filming will take place on a total of 30 days at various locations in Hesse and North Rhine-Westphalia. The movie theatre release across the whole of Germany is planned for 5 December 2019.

The answer prints of the RESISTANCE, DEM HORIZONT SONAH, AUERHAUS and TAKEOVER projects, which are in production in the spring of 2019 and are crucial for the sales impact, are expected to be made in 2019.

The shooting of the film TAKEOVER has begun in May 2019. PANTALEON Films, Warner Bros. Entertainment and Mack Media are producing the film with YouTube stars Heiko and Roman Lochmann. The film will be distributed by Warner Bros. Film Productions Germany. The movie theatre release is planned for early 2020.

Another milestone is the series DAS LETZTE WORT for the streaming service Netflix. Anke Engelke will play the leading role in the first season, which will include six episodes. The director is Aron Lehmann ("Das schönste Mädchen der Welt").

Overall, the year 2019 will be dominated by the internationalization of the production business. With RESISTANCE, PANTALEON has already produced a major international film. The Group of companies aims to build on this.

1. MACROECONOMIC CONDITIONS IN 2018

For PANTAFLIX AG and its subsidiaries, the global economy as well as economic growth in Europe and Germany in relation to the development and production of movie theatre films, global licensing of resultant rights as well as sales via the PANTAFLIX video-on-demand platform, are of great significance.

After strong growth in 2017 and early 2018, the global economy slowed significantly in the second half of last year due to the weaker rate of expansion in some of the major economies of Europe and Asia. According to the International Monetary Fund (IMF), global economic growth slowed to 3.6 % in 2018 from 3.8 % in the previous year. Global trade tensions increasingly depressed corporate prospects, leading to a gloomier mood in financial markets. Tighter financing conditions also weighed on world trade. The bottom line is that growth in global trade volumes slowed by 1.6 percentage points to 3.8 % in 2018, which is significantly more than the global economy as a whole.

According to the IMF, economic growth in the Eurozone amounted to only 1.8 % in 2018, compared with 2.4 % in the previous year. Negative factors included the deterioration in consumer and corporate sentiment, the introduction of new fuel emission standards for diesel-powered vehicles in Germany, the weakening of investments in Italy, and protests in France, which affected retailing and consumption. The already gloomy mood was exacerbated by growing concerns about a no-deal Brexit, which also weighed on capital expenditure. The average annual unemployment rate in the Eurozone decreased further in 2018 to 8.2 % after 9.2 % in the same period of the previous year.

According to the German Federal Statistical Office, the German economy expanded by 1.5 % in 2018, the ninth consecutive year, but lost momentum. The domestic economy provided decisive growth impetus in 2018, although growth was significantly lower than in the past three years. The growth rates of German exports were also less dynamic than in previous years. The average inflation rate in Germany in 2018 of 1.9 % approached the European monetary policy target of just under 2 %, after a price increase of 1.8 % in 2017. According to Destatis, the increase in labor force participation by 1.3 % continued the trend that has been sustained for 13 years. As a consequence, the unemployment rate fell further from 3.7 % to 3.3 %, once again marking a record low since reunification.

The sectors and market segments in which PANTAFLIX AG operates performed very dynamically – particularly in the entertainment industry, where the PANTAFLIX Group plays a key role in shaping with its innovative PANTAFLIX video-on-demand platform. Meanwhile, box office takings grew again.

According to the Motion Picture Association of America (MPAA), sales in the global entertainment market (movie theatre and home entertainment) rose by 9 % year-on-year to USD 96.8 billion in 2018. By contrast, box office revenues excluding the USA and Canada were down by 1 % to USD 29.2 billion, while the North American movie theatre market excluding Mexico increased by 7 % to USD 11.9 billion compared to 2017. Outside the USA and Canada, the box office in Asia grew by 5 %. Chinese movie theatregoers, which sold 12 % more tickets than in 2017, contributed to this. Meanwhile, Europe, the Middle East and Africa recorded a decline of 3 %. Revenues at Latin American box offices were down by 22 % in 2018. Despite this, China was still the largest movie theatre market outside the USA/Canada region in 2018, while Germany defended its seventh place after Japan, Great Britain and South Korea as well as France and India. The total number of movie theatre screens worldwide rose by around 7 % to 190,000. Steady investments in technical infrastructure were supported, in particular, by continued double-digit growth of 13 % in Asia.

According to the German Federal Film Board (FFA), movie theatres in Germany registered significant reductions in 2018. At EUR 893 million, the box office was around 15 % down on the previous year, as was the number of visitors at 100 million. While in 2018 just under 37 % of Germans over ten years of age visited a movie theatre at least once, as in 2017, the intensity reduced by 14 %, from 4.7 in the previous year to 4.1 visits. As in the previous year, the visitor reach of movie theatres in 2018 was consequently still higher than that of home video products, which accounted for 34 % of the total. The proportion of home entertainment users visiting the movie theatre also remained stable at 69 % in 2018. Although the revenues of the S-VoD (Subscription Video-on-Demand) segment in Germany increased by 77 % in 2018, 55 % of SVoD users were also moviegoers. In a weak 2018 movie theatre year, S-VoD consumers consequently visited the movie theatre more often than the overall market and paid 4 % higher admission prices than the overall market. According to the FFA, the structure of movie theatregoers

nevertheless changed. The proportion of moviegoers that also use S-VoD increased from 23 % in the previous year to 28 %. Although competition for movie theatregoers' leisure time has intensified, according to the FFA, the main reason for the movie theatre market trend over the past year is the quality of the film offering, especially the lack of traditional blockbusters. At a quarter, the market share of German films such as the productions of the PANTAFLIX subsidiary PANTALEON Films was at the previous year's level. Compared to the overall market, however, it was not the visitor frequency with two films per individual that was decisive, but rather the 12 % decline to 12.1 million visitors.

According to MPAA, spending on home entertainment (digital and physical) worldwide rose to USD 55.7 billion in 2018, an increase of 16 % over 2017. The growth driver was digital home entertainment with an increase of 34 %. The number of S-VoD (Subscription Video-on-Demand) subscriptions such as Netflix and Amazon Prime grew by 27 % to 613.3 million, putting them ahead of pay TV offerings for the first time. According to market research company Statista, the global VoD market amounted to USD 30.5 billion in 2018, an increase of 13.4 % over the previous year. At the same time, the steadily increasing number of various VoD providers worldwide represents additional potential for the PANTAFLIX Group's series and film production, which offers content production for these streaming providers. The US, China and Japan will account for the lion's share in the current 2019 fiscal year. The USA remains by far the largest market with a forecast turnover of USD 14.8 billion, followed by Germany in fifth place with USD 1.4 billion.

The global music industry grew by 9.7 % in 2018 to total sales of USD 19.1 billion, according to the International Federation of the Phonographic Industry (IFPI). Streaming revenues increased by 34 % and accounted for almost half of total revenues with a share of 47 %. The main growth driver is paid streaming with an increase of around 33 %. At the end of 2018, paid streaming services accounted for 37 % of total music revenues with 255 million users. Growth in streaming services more than offset the 10 % decline in revenues from physical music carriers and the 21 % decline in download revenues. Record investments, innovations and partnerships emanating from music companies have led to dynamic growth in markets with high potential. For the fourth consecutive year, Latin America was the fastest-growing region with an increase of 16.8 %, followed by Asia with 11.7 %

2. COURSE OF BUSINESS

2.1 RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

In the year under review, efforts focused primarily on expanding reach, and the film and series catalog of the PANTAFLIX VoD platform.

Important milestones were achieved in the 2018 fiscal year. This includes, in particular, the significant expansion of reach by means of content deals. PANTAFLIX AG considerably increased its activities in this area in 2018. In addition to the French media company STUDIOCANAL, which was won over for a cooperation in February, a cooperation with Warner Bros. Entertainment and an agreement with Red Arrow Studios International followed in the course of the year. Since February 2018, popular films from the US studio have also been available on PANTAFLIX as part of the content agreement concluded with Disney Germany (as of November 2017). The VoD platform has more than 23,000 film and series titles.

In addition, PANTAFLIX pursued a clearly defined strategy to expand its reach. In 2018, the core of the approach was a two-stage rollout of the platform across additional territories to develop new customer groups. In May 2018, the VoD platform was rolled out via Canada, Australia, New Zealand and South Africa. In September 2018, a broad-based rollout across the Central and South American continent was realized. Consumers in 68 countries worldwide were able to use PANTAFLIX in seven languages, at the end of 2018.

Reach was also increased by the availability of Apple TV and Android TV apps, with the offering thereby being available on numerous Smart TVs and standard set-top boxes. A global distribution agreement with US distributor Premiere Digital Services rounds off the activities to expand the reach of the VoD platform in 2018.

The VoD platform attracted greater attention from professional users during the reporting period. With the publishing houses of Funke Mediengruppe, Rheinische Post Mediengruppe, Medienhaus DuMont Rheinland and Lensing Media as part of the "DIE STEINKOHLE" streaming project, further business partners used the VoD platform as a modern and personalizable streaming solution. In addition, PANTAFLIX AG expanded its cooperation with DEUTSCHE FILMAKADEMIE as an official streaming platform for the German Film Award.

Film production area activities focused on the scheduled execution of the film projects 100 DINGE, ABIKALYPSE and BEAT. The productions of DEM HORIZONT SO NAH and RESISTANCE were still in post-production at the time of writing. The answer print, which is decisive for revenue effectiveness, will be made in 2019. In 2018 and beyond, PANTAFLIX AG and its subsidiary PANTALEON Films produced, and continue to produce, more film and series content than ever before. In future, the Group will increasingly push ahead with the internationalization of production without losing sight of its home market of Germany.

The music production activities of PantaSounds GmbH made a comparatively small contribution to sales revenue of EUR 674 thousand.

Agency business (March & Friends) made no significant contribution to sales revenue in the 2018 fiscal year.

In the 2018 fiscal year, the Group generated sales revenue of EUR 35,122 thousand and total operating performance plus other operating income of EUR 34,186 thousand. In the previous year, the comparative figures for sales revenue amounted to EUR 28,056 thousand and total operating performance to EUR 41,487 thousand. Overall, total operating performance decreased. In individual cases, sales revenues increased. Due to the completion of commissioned productions, the inventory of finished and unfinished products – and consequently total operating performance – is reduced. Despite a delayed realization of revenues from two film projects already produced but not completed until 2019, revenues slightly exceeded the Company's original expectations. The PANTAFLIX Technologies division, which is still in the process of being established, was unable to compensate for this with corresponding sales revenues.

All sales revenues were generated in Germany.

The cost of materials increased in line with total operating performance from EUR 15,013 thousand in 2017 to EUR 18,968 thousand in 2018. This item comprises coproducers' shares in revenues from licensing film rights and follow-up costs for completed projects.

Personnel expenses rose from EUR 3,464 thousand in the previous year to EUR 5,884 thousand. The average number of employees declined from 154 in 2017 to 126 in 2018. The increase in

personnel expenses despite the lower number of employees is due to the fact that personnel was mainly increased at the parent company. As a result, the total number of permanent employees was significantly higher in 2018 than in the previous year, in contrast to project-related employees, who are not included in personnel expenses.

Depreciation and amortization amounted to EUR 11,866 thousand in the reporting year, up EUR 3,464 thousand on the previous year's figure of EUR 15,330 thousand. Depreciation and amortization chiefly consists of amortization of internally generated intangible fixed assets (EUR 11,342 thousand). Amortization of purchased intangible fixed assets and depreciation of tangible fixed assets play only a minor role. The licensing profile is not expected to change over time.

EBITDA thereby amounted to EUR 2,877 thousand in the fiscal year under review. As a consequence, EBIT amounted to EUR -8,989 thousand in the fiscal year under review (2017: EUR 2,209 thousand). The development of EBIT is mainly attributable to the scheduled platform development of PANTAFLIX. In addition, the decline in EBIT resulted from the delayed realization of revenues from two film projects already produced but not completed until the first half of 2019. As a consequence, the result was below planned expectations.

Taxes on income amounted to EUR -158 thousand in the 2018 fiscal year. This is attributable both to the taxable net income of individual subsidiaries and to the recognition of deferred tax liabilities on internally generated intangible assets.

Consolidated total assets decreased by EUR 5,728 thousand from EUR 46,014 thousand in the previous year to EUR 40,286 thousand in the year under review. The asset structure of the PANTAFLIX Group has shifted: Fixed assets increased by EUR 3,946 thousand compared to the previous year. Meanwhile, current assets decreased from EUR 41,396 thousand to EUR 31,674 thousand.

The increase in fixed assets mainly relates to the capitalization of rights to films that have not yet been completed. Internally generated assets from film projects, which were recognized under advance payments, had a total volume of EUR 5,243 (2017: EUR 1,397 thousand).

The reduction of current assets by EUR 9,722 thousand to EUR 31,674 thousand is comprised as follows: Inventories decreased by EUR 2,283 thousand year-on-year. In addition, cash and cash equivalents from general business activities reduced by EUR 3,192 thousand to EUR 13,903 thousand. Receivables and other assets decreased from EUR 13,518 thousand in 2017 to EUR 9,270 thousand in the reporting year, mainly project related.

Equity amounted to EUR 17,124 thousand (2017: EUR 26,105 thousand) as of the 2018 balance sheet date. The equity ratio was 43 % as of 31 December 2018 (2017: 57 %).

Provisions amounted to EUR 853 thousand as of 31 December 2018 and were thereby higher than the previous year's figure of EUR 2,273 thousand. Other provisions relate mainly to outstanding invoices, remaining holiday obligations and expenses for preparing and auditing financial statements.

In 2018, liabilities to banks amounted to EUR 4,870 thousand due to film projects still in production and projects concluded but not yet accounted for (2017: EUR 4,917 thousand). Trade payables decreased by EUR 2,527 thousand to EUR 585 thousand in 2018 compared to 2017. Other liabilities increased from EUR 2,657 thousand to EUR 5,494 thousand in the reporting year. The main reasons are the repayment obligations arising up to the balance sheet date from the conditionally repayable film subsidy loans from previous years as well as third-party revenue shareholdings and taxes for previous years.

3. LIQUIDITY

Cash flow from operating activities increased by EUR 5,470 thousand to EUR 12,884 thousand (previous year: EUR 7,414 thousand) and, with a net loss for the year of EUR 8,826 thousand, is mainly characterized by non-cash depreciation on capitalized internally created assets of EUR 11,866 thousand (previous year: EUR 15,330 thousand). After film projects are completed, the Group amortizes the resultant copyrights in line with performance. In addition, the reduction in operating receivables and an increase in operating liabilities had a positive effect on cash flow.

Cash flow from investing activities amounted to EUR -16,029 thousand in 2018 (previous year: EUR -14,724 thousand). It consisted of investments in fixed assets, mostly in the form of

capitalization of the cost of films completed in the year under review before this item is amortized in line with performance. Cash flow from investing activities amounted to EUR 0 thousand in 2018 (2017: EUR 23,424 thousand).

After the balance sheet date, the Company received further capital in February 2019 through an increase in the share capital with partial utilization of the existing authorized capital of EUR 13,975,500 by issuing 1,397,550 new no-par value bearer shares (equivalent to 10 percent of the previous share capital) in return for cash contributions, excluding shareholders' subscription rights.

4. FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

4.1 FINANCIAL PERFORMANCE INDICATORS

The Group's aim is to continuously increase total operating performance and operating profit. Above and beyond this, the PANTAFLIX Group seeks to increase its operating cash flow and utilize its net working capital as efficiently as possible.

4.2 NON-FINANCIAL PERFORMANCE INDICATORS, EMPLOYEES

The average number of employees at the 31 December 2018 balance sheet date stood at 126 members of staff (2017: 154 employees). The number of employees includes not only permanent employees, but also project-related employees.

5. OUTLOOK, RISK AND OPPORTUNITY REPORT

5.1 FUTURE ECONOMIC AND INDUSTRY DEVELOPMENT

Following a slowdown in growth in the past year, the global economy is expected to stabilize in the first half of 2019, before recovering again as from 2020. The International Monetary Fund (IMF) reduced its forecast by 0.4 percentage points for 2019 and by 0.1 percentage points for 2020 compared with the outlook in October 2018, thereby expecting global growth of 3.3 % in 2019 and 3.6 % in 2020.

According to the European Commission, the European economy will grow only moderately in 2019. In its winter forecast, the European Commission anticipates GDP growth of 1.3 % in the Eurozone

in 2019 and 1.6 % in 2020. This corresponds to a downward adjustment of 0.6 percentage points in the autumn forecast for 2019 and 0.1 percentage points for 2020. Growth expectations for the EU have also been downgraded by 0.4 percentage point in 2019 and 0.1 percentage point in 2020. Uncertainties exist in particular with regard to trade policy tensions. Brexit continues to represent a factor of uncertainty for the European Union.

According to the German government, the German economy continues to grow in 2019 and has consequently been in an uninterrupted upswing for ten years. A further expansion of 1.0 % is expected for the current year. With increasing foreign trade risks, the German economy could enter more turbulent waters. In its forecast, market research company GfK predicts that growth in private consumption expenditure will be roughly on a par with the previous year at around 2 % in 2018. Further outstanding labor market performance forms another basis for strong consumption in 2018. In its forecast, market research company GfK assumes that private consumer spending will nevertheless increase by around 1.5 % in 2019. The positive market trend in combination with the prospect of rising incomes forms the basis for a good year of consumption in 2019.

With a view to the media and entertainment market, analysts at PricewaterhouseCoopers (PwC) have named the changes in the global entertainment and media landscape "Convergence 3.0". Competition is increasing significantly, while ever-growing corporate giants and focused market participants are endeavoring to build up their positioning beyond a critical size. In addition, new business models are being invented that can open up innovative sources of income, e.g. in fan appeal and customer loyalty through a unifying sense of community. At a time when consumer confidence in a wide range of industries is at a historically low level and regulators are watching data usage closely, the ability to build and maintain confidence is becoming a key competitive differentiator.

For the sectors and markets in which the PANTAFLIX Group operates, the PwC management consultancy also expects an overall uptrend in the next few years. The global media and entertainment industry is expected to grow by an average of 4.4 % annually to over USD 2.4 trillion by 2022. Accordingly, the global movie theatre market should continue to grow steadily over the forecast period, supported by Asian markets. In 2020, the income of the People's Republic of China is expected to exceed

that of the USA. In addition, the Middle East and Africa are expected to report strong growth thanks to the lifting of the movie theatre ban in Saudi Arabia. Meanwhile, large Hollywood studios are expected to invest more to compete with the dominant streaming providers such as Netflix and Amazon. Market research company Statista anticipates average growth in movie theatre ticket sales of 10.5 % to USD 20.2 billion by 2023. For the entire German film market, PwC forecasts sales of around EUR 1.2 billion by 2022 at an annual growth rate of 1.2 %. Rising ticket prices can more than compensate for the decline in viewer numbers in this context.

While box office takings will continue to expand steadily until 2022, PwC expects the VoD market to continue its rapid growth, with traditional VoD providers retaining their own content production strategies and significantly increasing investment in TV and film content. In addition, emerging markets that have moved away from traditional stationary computer and TV use, and that prefer smartphones, are driving VoD growth worldwide. Meanwhile, given the increasing number of competitors and the differentiation of offerings, access to exclusive content and sports rights will prove crucial to ensure growth in user numbers and market shares. With average growth rates of 3.2 %, Statista expects the VoD market to rise to USD 37.4 billion by 2023. In Germany, the VoD market is likely to grow by around 10 % per year on average to a volume of EUR 1.4 billion by 2022. PwC expects the greatest growth in the S-VoD segment with an average growth rate of 12.1 % per year, while the T-VoD segment is also expected to expand significantly with a growth rate of 5.7 %. The stronger growth in the S-VoD segment is the result of the continuing trend towards subscription models and the expected price increases in this area.

After years of sharply declining sales, the music industry continues to report significant growth. According to PwC, total revenues from music, radio and podcasts are expected to rise to USD 113.4 billion in 2022, with average growth rates of 3.6 %, mainly thanks to music recordings. Consumers in developed markets are increasingly opting for subscription-based music streaming services from leading providers as well as specialized niche offerings.

5.2 FUTURE DEVELOPMENT OF THE PANTAFLIX GROUP – Outlook

In the opinion of its Management Board, the PANTAFLIX Group is excellently positioned to steadily expand its market position

and significantly improve its future profitability. PANTAFLIX is also benefiting from the global economic recovery thanks to rising viewer numbers. With PANTAFLIX, the Group is successfully targeting the world-spanning growth sector of video-on-demand. In addition to continued hard work to establish and expand the video-on-demand segment, the PANTAFLIX Group will focus in 2018 and the following years on the further scaling of production of potential hit films, not only in the movie theatre market but also in areas such as TV, VoD, and web series and shows. This is expected to be accompanied by the internationalization of production operations and the Group's broader positioning along the value chain. The roll-out of the PANTAFLIX video-on-demand platform significantly enhanced the business operations and laid the foundation for international expansion.

With the acquisition of the majority interest in Creative Cosmos 15 GmbH (CC15), PANTAFLIX AG has made a clear commitment to the innovative marketing approach of the creative agency. In the future, the Group will be able to further expand the value chain and benefit from opportunities by networking various business areas such as content production, product placement and entertainment for brands. Marketing strategies for renowned customers have already been successfully implemented to date. These include Volkswagen, Amazon and Nike. For Mercedes-Benz, CC15 produced a multi-part campaign for social media channels in 2018.

The PANTAFLIX Group benefits from high demand for productions in its current core business area, film production, and is now, thanks to PANTAFLIX, in an excellent position to benefit from rapidly increasing global demand for innovative video-on-demand services.

The Group's good and continuously expanded market positioning in the 2018 fiscal year in all key business areas establishes a solid basis for further growth. Once again, the company succeeded in celebrating major successes in the film and series production business and significantly expanding its production pipeline. These include RESISTANCE, DEM HORIZONT SO NAH, AUERHAUS and TAKEOVER, all of which are promising and elaborate productions. Their answer print will be made in the current 2019 fiscal year, and will have a decisive impact on sales revenues.

Activities surrounding the VoD platform pantaflix.com focused on technical expansion, widening of the content catalog as well as the penetration and evaluation of new revenue and distribution

opportunities and channels. The possibility of opening the platform towards B2B was successfully validated with projects with media houses and the German Film Academy. B2B2C solutions were also brought to market readiness in spring 2019 in order to achieve synergy effects with renowned partners. In 2019, the company also took initial steps to expand its product range to include S-VoD and A-VoD services, thereby generating additional monetization potential.

In this way, it will be possible to make even more efficient use of the opportunities offered by a dynamically developing media market by combining all Group divisions.

According to current project planning, we expect a slight increase in sales revenues for the PANTAFLIX Group in the 2019 fiscal year. As it is never possible to completely rule out delays in projects within the film sector, a variation in sales revenues in the mid to high single-digit range in millions of euros is nevertheless possible. Irrespective of such postponements and increased expenditure specifically for marketing, sales and technology, our forecast envisages a significant improvement in operating earnings (EBIT).

5.3 OPPORTUNITY AND RISK REPORT

5.3.1 Risk management

Risk management:

The Group has a risk management system that is tailored to the needs, requirements and individual risks of film productions. The measures forming part of the internal control system with the aim of ensuring proper and reliable accounting serve to guarantee that transactions are recorded in full, in a timely manner and in accordance with the provisions of law and the Company's by-laws and the relevant internal rules and regulations (compliance). Corresponding instructions and processes are in place to ensure that assets and liabilities are recognized, reported and valued accurately. The Management Board is closely involved in these processes.

Opportunities and risks in the Video-on-Demand (VoD) area:

After the Company entered the digital film distribution market by establishing the video-on-demand platform PANTAFLIX in 2016, additional industry-specific risks arose. The VoD sector is fast-growing but also highly competitive. Here, too, the PANTAFLIX Group faces companies that have greater financial

resources, a longer history, more advanced company structures, greater marketing resources and/or better human resources. This could result in lower sales revenues and/or rising costs. To position itself successfully in this competitive environment, PANTAFLIX Technologies GmbH needs to feature a sufficient quantity of attractive film content and must acquire and retain consumers to a sufficient extent. This latter aspect, in particular, has a not insignificant impact on expenses and entails a risk of rising costs. In addition, the following risks exist, which vary considerably in terms of their significance:

Film content risks:

Firstly, it is important to ensure that film content is released on PANTAFLIX sufficiently, frequently and in sufficient quantity. Secondly, a high quality of the film content released must be ensured, and copyright infringement must be prevented. A content quality assurance system was established for this purpose. In this context, PANTAFLIX Technologies GmbH also participates in the FSK youth protection program.

Currency risks:

As all costs at PANTAFLIX are incurred in euros but the streams are sometimes paid in local currencies, currency risks exist in the event of significant currency fluctuations in relation to the euro. However, this risk can be regarded as limited, as PANTAFLIX Technologies GmbH regularly reviews the prices set when a film is released and also has the exclusive right to make price adjustments if necessary.

IT risks:

The operational reliability and performance of the technical infrastructure, including data centers and billing systems, are very important factors for successful business operations and transactions. For its development and operation, PANTAFLIX Technologies GmbH has set up a highly qualified team of employees and collaborates with renowned, quality-certified partners. Nonetheless, it is not possible to completely rule out the possibility that service problems arising from system errors or failures can result in a loss of customers, with corresponding negative financial implications. To minimize these risks, the systems are subject to continuous maintenance, and updates ensure that security precautions are kept state-of-the-art. To avoid the loss of sensitive data, backups are created at regular intervals, and certain data are transferred to external locations.

Opportunities and risks of film production:

The development of the Group's net assets, financial position and results of operations depends on various different opportunities and risks that are typical for the industry. Their effects on the net assets, financial position and results of operations are not quantified internally, as their probability of occurrence is difficult to forecast.

The opportunities and risks entailed in film production are described in more detail below. Here, the risk exists that a deterioration in overall conditions or the actual restriction or abolition of the award practice for public-sector film funding in Germany could have a negative impact on conditions for film production in Germany. The financing of film budgets is dependent in part on public subsidies. Specifically, the Federal Republic of Germany and its individual federal states support film production as these activities have a wide range of positive effects on the local economy.

Depending on the film project and the subsidy program, a large portion of the film budget can be financed by subsidies of this nature, mostly on favorable conditions. The restriction or abolition of public-sector film funding in Germany would have a significant detrimental effect on the industry as a whole. In terms of the financing of its film projects, it could also mean that the PANTAFLIX Group is only able to realize film projects with increased risk and increased costs or, in the worst case, not at all.

Accordingly, a deterioration in the conditions of German film finance policy could have an adverse effect on the net assets, financial position and results of operations of PANTAFLIX AG and its subsidiaries.

In the film sector, competition for the subsidiaries operating in this area – particularly PANTALEON Films and PANTALEON Pictures – largely exists in the area of in-house film production. The main challenge facing market participants is securing access to promising film material and screenplays, signing up successful directors and actors, signing contracts with film studios and film teams at favorable conditions and finding suitable partners for the successful marketing of the completed film productions. In all of these areas, the PANTAFLIX Group is in competition with companies that have greater financial resources, a longer history, more advanced company structures, greater development and distribution resources and / or better human resources.

In addition, the Company competes with other film companies for moviegoers' attention with its own in-house film productions and films for which it acquires the exploitation rights. A risk exists that the simultaneous release of in-house productions and productions by competitors could lead to less successful exploitation.

Competition for moviegoers is exacerbated by the fact that the general rise in the number of new films receiving a theatrical release is accompanied by a general lack of growth in the number of moviegoers. This could lead to increased requirements in terms of film marketing and the corresponding expenses, while movie theater operators might also drop films more quickly in the face of increased competition, thereby reducing income from the distribution of movies as a whole. The growing number of film productions could also lead to increased competition for subsequent rights exploitation, particularly with regard to the sale of DVDs and Blu-rays, TV exploitation and video-on-demand. These circumstances could also result in rising costs accompanied by falling revenue. Finally, the growing number of film companies and film productions could have an adverse effect on the award practice for public-sector film funding, make it more difficult to obtain other forms of funding or lead to a deterioration in the underlying conditions. The competition that already exists and the increasingly competitive market environment could have an adverse effect on the net assets, financial position, and results of operations and the general course of business of PANTAFLIX AG.

Financial risks:

Above and beyond its holding company function, the company has financial instruments that are subject to credit risks, liquidity risks and market risks due to changes in interest rates and exchange rates.

Liquidity and tax risks:

Risks arise from changes in exchange rates and interest rates and from future tax audits and legal disputes.

The ability of PANTAFLIX AG to obtain fresh capital from investors depends to a large extent on the conditions on the capital markets. Particularly in the case of globally volatile capital markets, the procurement of new capital via the capital markets could prove to be difficult. In addition, PANTAFLIX AG may require additional financing if its subsidiaries fail to generate a profit.

Financial planning tools are utilized throughout the Group to monitor and manage liquidity. PANTAFLIX AG manages liquidity risks by continuously monitoring the Group's forecast and actual cashflows.

Overall risk: As of the date of the preparation of the consolidated financial statements for 2018, the Management and Supervisory boards were not aware of any risk that could jeopardize the continued existence of the company due to insolvency or over-indebtedness.

6. CLOSING STATEMENT OF THE MANAGEMENT BOARD REPORT ON RELATIONSHIPS WITH AFFILIATED COMPANIES IN ACCORDANCE WITH SECTION 312 AKTG

In accordance with the irrebuttable presumption set out in section 17 of the German Stock Corporation Act (AktG), PANTAFLIX AG is a dependent company as defined in section 312 AktG of BlackMars Capital GmbH, headquartered in Königstein im Taunus, that is not subject to a control agreement in accordance with section 291 AktG or integration in accordance with section 319 et seq. AktG. In accordance with section 312 (1) AktG, the Management Board of PANTAFLIX AG has therefore prepared a Management Board report on relationships with affiliated companies for the period under review that has been audited by our external auditor and includes the following closing statement:

“With respect to the transactions and measures listed in the report on relationships with affiliated companies, according to the circumstances known to us at the time in which the transactions were carried out or measures performed or omitted, our Company received appropriate compensation for every transaction and has therefore not been disadvantaged by any measures performed or omitted.”

Munich, 29 May 2019

The Management Board



Nicolas Sebastian Paalzow

CONSOLIDATED BALANCE SHEET

as at 31 December 2018

PANTAFLIX AG

ASSETS	31/12/2018	31/12/2017
	EUR	EUR
A. FIXED ASSETS		
I. Intangible assets		
1. Self-created industrial property rights and similar rights and assets	2,233,289.00	2,364,171.00
2. Acquired concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	622,031.48	589,377.46
3. Goodwill	177,077.53	0.00
4. Advance payments on self-created industrial property rights and similar rights and assets	5,243,190.37	1,396,717.98
	<u>8,275,588.38</u>	<u>4,350,266.44</u>
II. Tangible assets		
1. Technical equipment and machines	65,662.00	76,442.00
2. Other equipment, operating and office equipment	147,224.00	104,735.00
	<u>212,886.00</u>	<u>181,177.00</u>
III. Financial assets		
1. Participations	0.00	10,125.00
	<u>8,488,474.38</u>	<u>4,541,568.44</u>
B. CURRENT ASSETS		
I. Inventories		
1. Work in progress	8,462,444.32	10,755,299.71
2. Prepayments received	38,250.00	28,250.00
	<u>8,500,694.32</u>	<u>10,783,549.71</u>
II. Receivables and other assets		
1. Trade receivables	7,636,812.82	12,645,240.51
2. Receivables from companies with which a participation exists	0.00	334,125.68
3. Other assets	1,632,831.67	538,312.51
	<u>9,269,644.49</u>	<u>13,517,678.70</u>
III. Cash-in-hand, bank balances	<u>13,903,226.24</u>	<u>17,095,010.05</u>
	31,673,565.05	41,396,238.46
C. PREPAID EXPENSES	<u>123,499.17</u>	<u>76,468.98</u>
	40,285,538.60	46,014,275.88

LIABILITIES	31/12/2018	31/12/2017
	EUR	EUR
A. EQUITY		
I. Subscribed capital	13,975,500.00	1,270,500.00
II. Capital reserves	16,499,606.84	29,159,500.00
III. Revenue reserves		
1. Legal reserve	14,268.80	14,268.80
IV. Consolidated unappropriated net loss	-13,125,866.73	-4,258,799.12
	<u>17,363,508.91</u>	<u>26,185,469.68</u>
V. Non-controlling interests	-239,607.23	-80,601.46
	<u>17,123,901.68</u>	<u>26,104,868.22</u>
B. PROVISIONS		
1. Tax provisions	0.00	1,843,069.37
2. Other provisions	853,154.78	430,220.84
	<u>853,154.78</u>	<u>2,273,290.21</u>
C. LIABILITIES		
1. Liabilities to banks	4,870,304.80	4,916,757.42
2. Advance payments received	10,665,520.65	6,223,944.94
3. Trade payables	584,664.73	3,111,650.58
4. Other liabilities		
of which taxes EUR 322,616.87		
(previous year: EUR 1,398,414.46)	5,494,061.96	2,656,544.51
	<u>21,614,552.14</u>	<u>16,908,897.45</u>
D. DEFERRED TAX LIABILITIES	<u>693,930.00</u>	<u>727,220.00</u>
	<u>40,285,538.60</u>	<u>46,014,275.88</u>

CONSOLIDATED INCOME STATEMENT

for the period from 1 January to 31 December 2018

	2018	2017
	EUR	EUR
1. Revenue	35,122,107.63	28,055,556.83
2. Increase in work in progress	-3,896,407.04	10,755,299.71
3. Other own work capitalised	353,834.88	298,069.57
4. Other operating income	2,606,632.39	2,377,885.73
5. Costs of materials		
a) Cost of purchased services	18,968,362.75	15,013,180.45
6. Personnel expenses		
a) Wages and salaries	5,095,239.33	2,971,184.13
b) Social security, post-employment and other employee benefit costs	788,765.17	493,201.16
- of which from post-employment benefit costs EUR 14,261.76 (previous year: EUR 7,775.72)		
	5,884,004.50	3,464,385.29
7. Amortisation and write-downs of intangible fixed assets and depreciation- and write-downs of property, plant and equipment	11,866,093.81	15,330,484.06
8. Other operating expenses	6,457,101.57	5,469,265.90
9. Other interest and similar income	8,189.31	20,414.28
- of which from affiliated companies EUR 0.00 (previous year: EUR 14,638.59)		
10. Interest and similar expenses	3,459.65	4,999.24
11. Taxes on income	-158,434.00	2,628,722.05
- thereof deferred taxes EUR -33,290.00 (previous year: EUR 727,220.00)		
12. Earnings after taxes	-8,826,231.11	-403,810.87
13. Consolidated net loss for the year	-8,826,231.11	-403,810.87
14. Non-controlling interests in net profit	-40,836.49	76,494.93
15. Consolidated net loss	-8,867,067.60	-327,315.94
16. Consolidated loss carry forward	-4,258,799.12	-3,931,483.18
17. Accumulated deficit	-13,125,866.72	-4,258,799.12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2018 FISCAL YEAR

I. GENERAL INFORMATION

The company is entered in the commercial register of the Munich District Court under commercial register sheet number 235252. The company's address is: PANTAFLIX AG, Holzstrasse 30, 80469 Munich, Germany.

In preparing its consolidated financial statements, the Company observes the provisions in recognition, measurement and disclosure set out in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Where options exist to disclose either on the balance sheet all in the notes to the financial statements, the option was taken to disclose in the notes to the financial statements.

The income statement was prepared applying the nature of expense method.

The company's shares have been listed in Deutsche Börse's "Scale" segment since 1 March 2017.

In accordance with Section 293 HGB, PANTAFLIX AG is exempt from the obligation to prepare consolidated financial statements. These consolidated financial statements are prepared on a voluntary basis.

II. CONSOLIDATION METHODS AND CONSOLIDATED GROUP

The consolidated group encompasses all subsidiaries in which PANTAFLIX AG holds a majority of the voting rights, either directly or indirectly.

Fully consolidated companies

The consolidated financial statements include the parent company PANTAFLIX AG and the following subsidiaries:

COMPANY	EQUITY INTEREST IN %
PANTALEON Films GmbH, Munich	100.00
March & Friends GmbH, Munich	100.00
PANTALEON Pictures GmbH, Munich	100.00
PANTAFLIX Technologies GmbH, Berlin	100.00
PantaSounds GmbH, Berlin	57.50
Creative Cosmos 15 GmbH, Munich	51.00
The Special Squad UG, Munich	100.00

PANTAFLIX AG sold 15 % of the shares in PantaSounds GmbH in the past fiscal year. In addition, 10.50 % of the shares in Creative Cosmos 15 GmbH were purchased, so that Creative Cosmos 15 GmbH is included in the scope of consolidation with 51 % of its shares.

Consolidation Methods

The financial year of the Group and all consolidated entities is the calendar year, so the reporting date of the separate financial statements of all entities included in the consolidated financial statements is the same as the reporting date of the consolidated financial statements.

Capital is consolidated applying the revaluation method. Accordingly, the acquisition costs of investments are offset against the fair value of the acquired assets and liabilities under disclosure of all hidden reserves, including those attributable to non-controlling interests, at the date of the acquisition of the shares. Increases or decreases in subsidiaries' capital shares are recognized directly in equity.

Receivables, liabilities and other obligations between consolidated entities are offset against each other. Internal revenue and other income from relationships between consolidated entities are offset against the attributable expenses, unless these are of only subordinate importance for the presentation of the true and fair view of the Group's results of operations.

Intercompany profits from intra-Group business relationships and services are eliminated, unless they are of subordinate importance for the Group.

III. ACCOUNTING POLICIES

The financial statements of the companies included in the consolidated financial statements of the parent company have been prepared in accordance with uniform accounting policies. The separate, single-entity financial statements included in consolidation were prepared in euros.

The accounting policies applied to the consolidated financial statements were retained.

Deferred tax assets and liabilities are recognized on differences between the measurement of assets and liabilities for

consolidation and their tax bases, provided the differences can be classified as temporary and are not of only subordinate importance.

Fixed assets

Fixed assets are carried at cost less depreciation and amortization in accordance with the useful lifespan of the respective assets.

Films completed during the year reported are capitalized at cost within internally generated industrial rights and similar rights and assets, provided the probability of the actual creation of an asset is at least high as of the reporting date. In particular, cost includes the individually attributable costs of the use of goods and services. In addition, interest is recognized for borrowings that are used to finance production, provided the interest is attributable to the production period. Internally generated industrial rights and similar rights and assets are amortized applying the unit of production method.

Intangible fixed assets purchased from third parties are capitalized at cost and amortized on a straight-line basis according to their expected useful lives (pro rata temporis in the year of acquisition). Purchased IT programs are amortized over a normal useful operating life of three years. When the fair values of individual intangible fixed assets are lower than their carrying amounts, impairment is recognized if it is expected to be permanent.

Advance payments for internally generated industrial rights and similar rights and assets comprise films that are not yet complete. These are capitalized at cost of production. In particular, cost includes the individually attributable costs of the use of goods and services.

Tangible fixed assets are measured at cost less straight-line depreciation. Depreciation on acquisitions of tangible fixed assets is recognized pro rata temporis. The useful lives of technical equipment and machinery and operating and office equipment range between two and 13 years. When the fair values of individual assets are lower than their carrying amounts, impairment is recognized if it is expected to be permanent.

In this connection, with the first-time consolidation of Creative Cosmos 15 GmbH, goodwill of EUR 177 thousand arose. It results from the offsetting of the acquisition costs for the shares in Creative Cosmos 15 GmbH against the fair value of the assets and

liabilities taken over at the time of initial consolidation and represents the management's ability to realize value appreciation potential from the sales network as well as an expansion of the sales network and the associated improved utilization possibilities for those of the Group. Since the expected useful life cannot be sufficiently determined, it is depreciated over a useful life of ten years in accordance with the provisions of German commercial law.

The attached statement of changes in fixed assets shows the development of individual items of fixed assets and the depreciation and amortization of the financial year.

Inventories

Work in progress is measured at cost in accordance with HGB. In addition, interest is recognized for borrowings that are used to finance production, provided the interest is attributable to the production period.

Receivables and other assets

Receivables and other assets are measured at the lower of cost (nominal values) or fair value on the reporting date, including all identifiable risks. Current receivables and liabilities denominated in foreign currencies are translated at the mid spot exchange rate on the reporting date.

Cash-in-hand and bank balances

Cash-in-hand and bank balances are reported at their nominal amount.

Prepaid expenses

Prepaid expenses are payments made before the reporting date that constitute expenditure for a certain period after this date.

Equity

The company's share capital is carried at nominal value.

Provisions

Provisions are formed for contingent liabilities and take all identifiable, reportable risks into account. They are carried at the settlement amount deemed necessary by prudent business judgement. The term of each provision is less than one year, so provisions are not discounted.

Liabilities

Liabilities are carried at their settlement amount.

Deferred taxes

Deferred taxes are recognized on differences between the carrying amounts in the trade accounts and the tax accounts, provided they are expected to reverse in subsequent fiscal years. Deferred taxes are calculated on the basis of an effective tax rate of 31.54 % (15.825 % for corporation tax including solidarity surcharge and 15.715 % for trade tax), expected at the date when the differences reverse.

IV. DISCLOSURES AND NOTES ON INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET

Intangible assets include borrowing costs of EUR 250 thousand (previous year: EUR 143 thousand) capitalized as costs of production.

Inventories include borrowing costs of EUR 0.1 thousand capitalized as costs of production.

All receivables and other assets are due within one year, as in the previous year.

Other provisions relate mainly to outstanding invoices. Furthermore, costs for the preparation and auditing of the financial statements are reported.

Bank balances of EUR 300 thousand are restricted as of 31 December 2018.

Deferred tax assets on loss carryforwards are not capitalized due to uncertainties regarding the future usability of the loss carryforwards as of 31 December 2018. The deferred tax liabilities (EUR 694 thousand) resulted entirely from the recognition of internally generated intangible assets in fixed assets in the form of copyrights to film titles.

V. NOTES TO THE INCOME STATEMENT

The Group's revenue results predominantly from the exploitation and sale of copyrights to film titles.

The Group's revenues result primarily from the exploitation and sale of copyrights to film titles.

The following overview includes a reconciliation between the tax expense calculated using German tax rates and the tax expense in these financial statements.

The liabilities have the following remaining terms:

In EUR (previous year: in EUR thousand)	Total	less than 1 year	1 – 5 years	more than 5 years
Liabilities to banks	4,870,304.80 (p/y 4,917)	4,870,304.80 (p/y 4,917)	0.00 (p/y 0)	0.00 (p/y 0)
Payments received on account of orders	10,665,520.65 (p/y 6,224)	10,665,520.65 (p/y 5,224)	0.00 (p/y 1,000)	0.00 (p/y 0)
Trade payables	584,664.73 (p/y 3,112)	584,664.73 (p/y 3,112)	0.00 (p/y 0)	0.00 (p/y 0)
Other liabilities	5,494,061.96 (p/y 2,657)	5,494,061.96 (p/y 2,657)	0.00 (p/y 0)	0.00 (p/y 0)
Total	21,614,522.14 (p/y 16,909)	21,614,552.14 (p/y 15,909)	0.00 (p/y 1,000)	0.00 (p/y 0)

In EUR thousand	2018
Result before income taxes	-8,985
Expected income taxes	0
Reconciliation	
Other refunds	125
Effect of recognition and valuation of deferred tax liabilities	33
Recognised tax expense	158

The Group income tax rate is 31.9%.

VI. DISCLOSURES ON CAPITAL

Subscribed capital

The Company's subscribed capital was increased from EUR 1,270,500.00 in the year under review from EUR 12,705,000.00 to EUR 13,975,500.00 through a capital increase from company funds and is divided into 13,975,500 bearer shares in the form of no-par value shares.

Contingent capital

The Annual General Meeting held on 25 July 2018 passed a resolution to cancel Contingent Capital 2014/II.

The share capital of the Company is conditionally increased by EUR 220,000.00 through the issuance of up to 220,000 no-par value bearer shares (Contingent Capital 2017). The conditional capital increase serves exclusively to satisfy options granted until 18 July 2022 on the basis of the authorization granted by the Annual General Meeting on 19 July 2017.

The share capital is conditionally increased by up to EUR 5,590,200.00 through the issue of up to 5,590,200 new no-par value bearer shares carrying dividend rights from the beginning of the fiscal year in which they are issued (Contingent Capital 2018/I).

The Company's share capital was conditionally increased by EUR 1,177,550.00 in the form of no-par value bearer shares by resolution of the Annual General Meeting on 25 July 2018 (Conditional Capital 2018/II). The conditional capital increase serves exclusively to satisfy options granted until 24 July 2023 on the basis of the authorization granted by the Annual General Meeting on 25 July 2018.

Authorised capital

The Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by a total of up to EUR 6,987,750.00 by issuing new no-par value bearer shares on one or more occasions in return for cash contributions and/or contributions in kind in the period up to 24 July 2023 (Authorized Capital 2018).

Capital reserves

The capital reserves decreased from EUR 29,159,500 to EUR 16,499,606.84 in the year under review, mainly as a result of the withdrawal from company funds as a result of the capital increase.

VII. OTHER DISCLOSURES

Management Board

NICOLAS SEBASTIAN PAALZOW, businessman, Munich (Management Board Chairman / Chief Executive Officer)

STEFAN LANGEFELD, businessman, Munich (until 31 January 2019)

DAN MAAG, film producer, Munich (until 22 April 2018)

With reference to Section 286 (4) of the German Commercial Code (HGB), the total remuneration of the Management Board is not disclosed.

Supervisory Board

MARCUS BORIS MACHURA, lawyer, self-employed, Chairman of the Supervisory Board since 8 June 2018

EERIK BUDARZ, Chief Investment Officer/fund manager at BlackMars Capital GmbH, since 12 October 2018 Deputy Chairman (member since 14 September 2018)

MARC SCHÖNBERGER, lawyer/partner at Schönberger & Dielmann Law Firm and Notary Public's Office (member from 8 June 2018 to 11 October 2018)

MATHIS SCHULTZ, fund Manager (until 31 August 2018)

With reference to § 286 (4) HGB, the total remuneration of the Supervisory Board is not disclosed.

Number of employees

The average number of employees in the year under review stood at 126 members of staff (previous year: 154).

Employee options

As of 31 December 2018, the Company had issued 20,000 options from a stock option program for the acquisition of no-par value shares in the Company. The options can be exercised for the first time after a waiting period of four years from the respective issue date. The options issued under the stock option program can only be exercised within five years of their initial exercise.

Other financial obligations

Other financial obligations exist amounting to EUR 976 thousand, particularly from rental agreements and vehicle leasing.

Total fee for the auditor of the financial statements

The total auditor's fee for the past fiscal year amounts to EUR 36 thousand and includes the audit performance (EUR 36 thousand).

Proposal for the appropriation of profits

The Management Board proposes to carry forward the parent company's result to a new account.

VIII. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

Mr. Stefan Langefeld left the company as Management Board Chairman on 31 January 2019.

Munich, 29 May 2019

The Management Board



Nicolas Sebastian Paalzow

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

as at 31 December 2018

EUR

	Balance carried forward 01/01/2018	Additions	Additions from corporate acquisitions	Disposals	Transfers
FIXED ASSETS					
I. Intangible assets					
1. Self-created industrial property rights and similar rights and assets	37,616,241.47	11,092,553.41	0.00	0.00	160,529.97
- of which interest on loans	137,383.96	87,135.36	0.00	0.00	
2. Acquired concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	806,168.45	418,902.67	197.00	0.00	0.00
3. Goodwill	0.00	177,710.47		0.00	0.00
4. Advance payments on self-created industrial property rights and similar rights and assets	1,396,717.98	4,633,671.44	0.00	626,669.08	-160,529.97
- of which interest on loans	5,225.77	20,485.92	0.00	0.00	0.00
Total intangible assets	39,819,127.90	16,322,837.99	197.00	626,669.08	0.00
II. Tangible assets					
1. Technical equipment and machinery	148,445.28	35,072.27	1,051.00	4,069.30	0.00
2. Other equipment, operating- and office equipment	165,744.22	91,081.78	759.00	1,854.49	0.00
Total tangible assets	314,189.50	126,154.05	1,810.00	5,923.79	0.00
III. Financial assets					
Participations	10,125.00	0.00	0.00	10,125.00	0.00
Total financial assets	10,125.00	0.00	0.00	10,125.00	0.00
Total fixed assets	40,143,442.40	16,448,992.04	2,007.00	642,717.87	0.00

Cost		Depreciation, amortisation and write-downs				Carrying amounts	
As at 31/12/2018	Balance carried forward 01/01/2018	Additions	Disposals	As at 31/12/2018	As at 31/12/2017	As at 31/12/2018	
48,869,324.85	35,252,070.47	11,383,965.38	0.00	46,636,035.85	2,364,171.00	2,233,289.00	
224,519.32	0.00	0.00	0.00	0.00	137,383.96	224,519.32	
1,225,268.12	216,790.99	386,445.65	0.00	603,236.64	589,377.46	622,031.48	
177,710.47	0.00	632.94	0.00	632.94	0.00	177,077.53	
5,243,190.37	0.00	0.00	0.00	0.00	1,396,717.98	5,243,190.37	
25,711.69	0.00	0.00	0.00	0.00	5,225.77	25,711.69	
55,515,493.81	35,468,861.46	11,771,043.97	0.00	47,239,272.49	4,350,266.44	8,275,588.38	
180,499.25	72,003.28	45,699.06	2,865.09	114,837.25	76,442.00	65,662.00	
255,730.51	61,009.22	49,350.78	1,853.49	108,506.51	104,735.00	147,224.00	
436,229.76	133,012.50	95,049.84	4,718.58	223,343.76	181,177.00	212,886.00	
0.00	0.00	0.00	0.00	0.00	10,125.00	0.00	
0.00	0.00	0.00	0.00	0.00	10,125.00	0.00	
55,951,723.57	35,601,873.96	11,866,093.81	4,718.58	47,462,616.25	4,541,568.44	8,488,474.38	

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2018

	2018	2017
	EUR in thousand	EUR in thousand
Operating activities		
1. Consolidated net loss for the year	-8,826	-404
2. + Depreciation, amortisation and write-downs of fixed assets	11,866	15,330
3. + Increase/decrease in provisions (not including tax provision)	411	330
4. - Decrease (previous year: increase in inventories, trade receivables and other assets not attributable to investing or financing activities)	6,283	-13,149
5. + Increase in trade payables and other liabilities not attributable to investing or financing activities	4,528	2,810
6. + Loss on fixed asset disposals	628	0
7. - Interest result	-5	-15
8. + Income from income taxes (previous year: expense)	-158	2,628
9. - Income tax payments	-1,843	-116
10. = Cash flow from operating activities	12,884	7,414
Investing activities		
11. - Payments for investments in intangible fixed assets	-16,144	-14,613
12. - Payments for investments in tangible assets	-126	-131
13. + Proceeds from additions to the scope of consolidation	233	0
14. + Interest received	8	20
15. = Cash flow from investing activities	-16,029	-14,724
Financing activities		
16. + Receipts from additions to equity by shareholders of the parent company	0	23,430
17. - Proceeds (previous year: disbursements) from the acquisition (previous year: disposal) of minority interests	4	-1
18. - Interest paid	-4	-5
19. = Cash flow from financing activities	0	23,424
20. Net change in cash and cash equivalents	-3,145	16,114
21. Cash and cash equivalents at beginning of period	12,178	-3,936
22. Cash and cash equivalents at end of period	9,033	12,178
Composition of cash and cash equivalents at end of financial year		
Cash-in-hand and bank balances	13,903	17,095
Bank overdrafts repayable at any time	-4,870	-4,917
Cash funds at end of fiscal year	9,033	12,178

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2018

In EUR

	Subscribed capital	Reserves		
		Capital reserves	Legal reserves	Total reserves
Balance as at 1 January 2017	1,100,000.00	5,900,000.00	14,268.80	5,914,268.80
Other changes	0.00	0.00	0.00	0.00
Capital increase	170,500.00	23,259,500.00	0.00	23,430,000.00
Acquisition of minority interests	0.00	0.00	0.00	0.00
Consolidated net loss for the year	0.00	0.00	0.00	0.00
Balance as at 31 December 2017	1,270,500.00	29,159,500.00	14,268.80	29,344,268.80
Balance as at 1 January 2018	1,270,500.00	29,159,500.00	14,268.80	29,344,268.80
Capital increase from company funds	12,705,000.00	-12,705,000.00	0.00	0.00
Acquisition/disposal of shares	0.00	45,106.84	0.00	0.00
Consolidated net loss for the year	0.00	0.00	0.00	0.00
Balance as at 1 January 2018	13,975,500.00	16,499,606.84	14,268.80	29,344,268.80

Parent company		Minority shareholders			Consolidated equity
Result carried forward	Equity attributable to the parent company	Non-controlling interests in equity	Losses attributable to non-controlling interests	Total non-controlling interests	
-3,931,483.18	3,082,785.62	8,138.00	-10,992.53	-2,854.53	3,079,931.09
0.00	0.00	0.00	0.00	0.00	0.00
0.00	23,430,000.00	0.00	0.00	0.00	-1,252.00
0.00	0.00	-1,252.00	0.00	-1,252.00	23,400.00
-327,315.94	-327,315.94	0.00	-76,494.93	-76,494.93	-403,810.87
-4,258,799.12	26,185,469.68	6,886.00	-87,487.46	-80,601.46	26,104,868.22
-4,258,799.12	26,185,469.68	6,886.00	-87,487.46	-80,601.46	26,104,868.22
0.00	0.00	0.00	0.00	0.00	0.00
0.00	45,106.84	-199,842.26	0.00	-199,842.26	-154,735.42
-8,867,067.60	-8,867,067.60	0.00	40,836.49	40,836.49	-8,826,231.11
-13,125,866.72	17,363,508.92	-192,956.26	-46,650.97	-239,607.23	17,123,901.68

AUDITOR'S REPORT



Audit Opinion

We have audited the consolidated financial statements of PANTAFLIX AG; München, consisting of the consolidated balance sheet, the consolidated income statement, the notes to the consolidated financial statements, which provide a summary of significant accounting policies, the consolidated statement of cash flows and the consolidated statement of changes in equity for the business year from January 1 to December 31, 2018. Further we have audited the group management report of PANTAFLIX AG, München, for the business year from January 1 to December 31, 2018.

The inclusion of the accounting records in the audit of the consolidated financial statements in accordance with § 317 (1) sentence 1 HGB and the audit of the group management report are additional legal requirements that go beyond those of the International Standards on Auditing.

Our audit conducted in accordance with § 317 HGB has not led to any objectives.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the group as of December 31, 2018 and of its results of operations for the fiscal year from January 1, 2018 to December 31, 2018 in accordance with generally accepted accounting principles and
- the attached group management report overall gives a true and fair view of the position of the group. In all material respects this group management report is consistent with the consolidated financial statements, complies with the legal provisions and suitably presents the opportunities and risks of future development.

In accordance with § 322 III 1 HGB, we hereby declare that our audit did not give rise to any objections to the consolidated financial statements and the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and international auditing standards (ISA). Our

responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" of our audit opinion. We are independent of the group company in accordance with German commercial law and professional regulations and have performed our other German professional duties in accordance with these requirements. 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 the group management report.

Other information

The legal representatives of the parent company are responsible for the other information.

The other information includes

- The other parts of the annual report, with the exception of the audited consolidated financial statements and on the group management report as well as our auditor's report. In connection with our audit, our responsibility is to read the other information and, in so doing, to consider 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 appears to be materially misstated.

Responsibilities of the legal representatives and the supervisory board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with German generally accepted accounting principles and in all material respects comply with the requirements of German commercial law applicable to corporations, and for the presentation of a true and fair view of the net assets, financial position and results of operations of the group in accordance with German generally accepted accounting principles. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the legal representatives are responsible for assessing the group's ability to continue as a going concern. They also have a responsibility to report matters relating to the continuing operation of the group, if relevant. In addition, they are responsible for accounting for the continuation of operations on the basis of the accounting principle, unless there are factual or legal grounds to the contrary.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, an appropriately presents the opportunities and risks of future development.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Responsibilities of the auditor for the audit of the consolidated financial statements and of the group management report

Our objective is to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the group's financial position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with § 317 HGB and International Standards (ISA) will always detect a material misstatement. Misstatements may result from fraud or error and are considered material if it is reasonably expected that they will affect, individually or in aggregate, the economic decisions of users made on the basis of these consolidated financial statements and the group management report.

As part of our audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism.

In addition

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the consolidated financial statements and of the group management report, plan and perform audit procedures in response to those risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the termination of internal control.
- we obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report, in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made, and related disclosures made.
- we draw conclusions about the appropriateness of the accounting principles applied by the legal representatives for the continuation of the group's activities and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could raise significant doubts about the group's ability to continue as a going concern. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may lead the company not being able to continue as going concern.
- we evaluate, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German generally accepted accounting principles, are appropriate.
- we evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the group's position it provides.



- we perform procedures on the prospective information presented by management in the group management report. On the basis of sufficient audit evidence, we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information an on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings of the audit, including any significant deficiencies in the internal control system, that we identify during our audit.

Frankfurt am Main, 30 May, 2019

VOTUM AG
Wirtschaftsprüfungsgesellschaft (Accounting Firm)
Steuerberatungsgesellschaft (Tax Consulting Firm)

Lehnert
Auditor

Leoff
Auditor

BALANCE SHEET

as at 31 December 2018

PANTAFLIX AG

ASSETS		31/12/2018	31/12/2017
	EUR	EUR	EUR
A. FIXED ASSETS			
I. Intangible assets			
1. Purchased concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets		102,027.48	91,236.46
II. Tangible assets			
1. Technical equipment and machines	21,032.00		14,015.00
2. Other equipment, operating and office equipment	99,224.00		52,229.00
		120,256.00	66,244.00
III. Financial assets			
1. Interests in affiliated companies		12,803,481.32	665,529.000
B. CURRENT ASSETS			
I. Receivables and other assets			
1. Trade receivables	131,355.81		953,731.71
2. Receivables from affiliated companies	8,154,623.68		13,897,446.28
3. Receivables from companies in which an equity interest is held	0.00		332,977.66
4. Other assets	87,915.92		96,422.28
		8,373,895.41	15,280,577.93
II. Cash on hand, Bundesbank balances, bank balances and cheques		3,638,234.59	12,681,803.51
C. PREPAID EXPENSES		79,008.09	45,000.00
		25,116,902.89	28,830,390.90

EQUITY AND LIABILITIES		31/12/2018	31/12/2017
	EUR	EUR	EUR
A. EQUITY			
I. Subscribed capital		13,975,500.00	1,270,500.00
II. Capital reserves		16,454,500.00	29,159,500.00
III. Revenue reserves			
1. Legal reserve		14,268.80	14,268.80
IV. Accumulated net income		-5,962,580.54	-4,187,820.23
		<u>-24,481,688.26</u>	<u>-26,256,448.57</u>
B. PROVISIONS			
1. Other provisions		<u>85,634.00</u>	<u>54,826.00</u>
C. LIABILITIES			
1. Liabilities to banks	5,057.14		13,750.77
2. Trade payables	54,004.17		1,471,978.62
3. Liabilities to affiliated companies	252,622.92		12,518.31
4. Other liabilities	237,896.40		1,020,868.63
		<u>549,580.63</u>	<u>2,519,116.33</u>
		<u>25,116,902.89</u>	<u>28,830,390.90</u>

INCOME STATEMENT

for the period from 1 January to 31 December 2018

PANTAFLIX AG

		2018	2017
	EUR	EUR	EUR
1. Revenue		1,583,256.93	1,890,334.85
2. Other operating income		32,240.70	20,477.05
3. Cost of materials			
a) Cost of purchased services		83,432.06	916,582.08
4. Personnel expenses			
a) Wages and salaries	1,485,069.19		904,219.96
b) Social security, post-employment and other employee benefit costs	<u>170,232.69</u>		<u>96,269.54</u>
		1,655,301.88	1,000,489.50
5. Depreciation, amortisation and write-downs			
a) Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property plant and equipment		53,364.55	21,134.67
6. Other operating expenses		2,114,666.95	2,948,102.67
7. Other interest and similar income		516,507.50	203,041.25
8. Interest and similar expenses		0.00	10,019.49
9. Earnings after taxes		-1,774,760.31	-2,782,475.26
10. Net loss for the year		1,774,760.31	2,782,475.26
11. Loss carried forward		<u>-4,187,820.23</u>	<u>-1,405,344.97</u>
12. Accumulated deficit		<u>-5,962,580.54</u>	<u>-4,187,820.23</u>

AUDITOR'S REPORT



Audit Opinion

We have audited the annual financial statements of PANTAFLIX AG; München, consisting of the balance sheet, the income statement, the notes to the annual financial statements, which provide a summary of significant accounting policies, for the business year from January 1 to December 31, 2018.

The inclusion of the accounting records in the audit of the annual financial statements in accordance with § 317 (1) sentence 1 HGB are additional legal requirements that go beyond those of the International Standards on Auditing.

Our audit conducted in accordance with § 317 HGB has not led to any objectives.

In our opinion, based on the findings of our audit,

- the accompanying annual financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the company as of December 31, 2018 and of its results of operations for the fiscal year from January 1, 2018 to December 31, 2018 in accordance with generally accepted accounting principles.

In accordance with § 322 III 1 HGB, we hereby declare that our audit did not give rise to any objections to the annual financial statements.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements in accordance with § 317 HGB and international auditing standards (ISA). Our responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the annual financial statements" of our audit opinion. We are independent of the company in accordance with German commercial law and professional regulations and have performed our other German professional duties in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements.

Other information

The legal representatives of the company are responsible for the other information.

The other information includes

- The other parts of the annual report, with the exception of the audited annual financial statements and on the company management report as well as our auditor's report. In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information
 - is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or
 - otherwise appears to be materially misstated.

Responsibilities of the legal representatives and the supervisory board for the annual financial statements The legal representatives are responsible for the preparation and fair presentation of the annual financial statements in accordance with German generally accepted accounting principles and in all material respects comply with the requirements of German commercial law applicable to corporations, and for the presentation of a true and fair view of the net assets, financial position and results of operations of the company in accordance with German generally accepted accounting principles. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They also have a responsibility to report matters relating to the continuing operation of the company, if relevant. In addition, they are responsible for accounting for the continuation of operations on the basis of the accounting principle, unless there are factual or legal grounds to the contrary.

The supervisory board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements.

Responsibilities of the auditor for the audit of the annual financial statements

Our objective is to obtain reasonable assurance whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, complies with the



German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with § 317 HGB and International Standards (ISA) will always detect a material misstatement. Misstatements may result from fraud or error and are considered material if it is reasonably expected that they will affect, individually or in aggregate, the economic decisions of users made on the basis of these annual financial statements.

As part of our audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism.

In addition

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the annual financial statements and of the company management report, plan and perform audit procedures in response to those risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the termination of internal control.
- we obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the company management report, in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made, and related disclosures made.
- we draw conclusions about the appropriateness of the accounting principles applied by the legal representatives for the continuation of the company's activities and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could raise significant doubts about the company's ability to continue

as a going concern. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may lead the company not being able to continue as going concern.

- we evaluate, the overall presentation, structure and content of the annual financial statements, including the disclosures, as well as whether the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German generally accepted accounting principles, are appropriate.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings of the audit, including any significant deficiencies in the internal control system, that we identify during our audit.

Frankfurt am Main, May 30, 2019

VOTUM AG
Wirtschaftsprüfungsgesellschaft (Accounting Firm)
Steuerberatungsgesellschaft (Tax Consulting Firm)

Lehnert
Auditor

Leoff
Auditor

NOTE ON LIABILITY

PANTAFLIX

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This is a translation of the German “Geschäftsbericht 2018“ of PANTAFLIX AG. Sole authoritative and universally valid version is the German language document.

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