



HALF-YEAR REPORT

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2018



RETHINKING  
ENTERTAINMENT

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# INHALT

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PANTAFLIX AG is one of Europe's fastest growing media companies. It comprises the video-on-demand (VoD) platform of PANTAFLIX Technologies GmbH, the traditional film and production business of PANTALEON Films GmbH and PANTALEON Pictures GmbH, the music label PantaSounds GmbH and the brand integration and social media unit March & Friends GmbH. With this fully integrated, 360-degree approach to production, distribution, exploitation and marketing of content and rights to said content, the company, which is tracked by the Scale 30 Index, ensures dynamic growth on the international media market and stands for global entertainment that is 'Made in Germany'.

For example, PANTAFLIX AG is engaged in strong partnerships with prestigious partners such as Amazon, Disney, Warner Bros., Universal Music and YouTube.

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](http://www.pantaflixgroup.com) and [www.pantaflix.com](http://www.pantaflix.com).

# GROUP STRUCTURE

**PANTAFLIX AG**  
Munich

Holding company for the PANTAFLIX Group

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

**Head office**  
PANTAFLIX AG  
Holzstraße 30  
80469 Munich  
Germany

**Established**  
2009

**Sector**  
Technology / VoD / Entertainment / Cinema

**Management Board**  
STEFAN LANGEFELD  
(Since 22 April 2018, CEO, Chairman)  
NICOLAS PAALZOW  
(CPO, member)

**Supervisory Board**  
MARCUS BORIS MACHURA  
(Lawyer, Chairman of the Supervisory Board)  
MARC SCHÖNBERGER  
(Lawyer, Deputy Chairman of the Supervisory Board)  
MATHIS SCHULTZ  
(Fund manager, until 31 August 2018)  
EERIK BUDARZ  
(Fund manager, since 20 September 2018)

**Reporting period**  
1 January to 30 June 2018

**Accounting standard**  
German Commercial Code (HGB)



PANTAFLIX Technologies GmbH  
Berlin

Wholly-owned subsidiary

PANTAFLIX Group's  
global VoD platform

TVoD, marketing and exploitation of content on  
the VoD platform, full service for strategic partners



PANTALEON Films GmbH  
Munich

Wholly-owned subsidiary

Rights holder  
for the PANTAFLIX Group

Development, financing,  
exploitation, rights library,  
production



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 communication,  
brand integration



PantaSounds GmbH  
Munich

57.5% subsidiary

Music label  
for the PANTAFLIX Group

Music production,  
music integration and  
rights exploitation

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





## DEAR SHAREHOLDERS,

I am delighted to present you with the first half-year report since I have been CEO of our company and to tell you that a lot has happened at PANTAFLIX AG in the first half of 2018. We have made tremendous progress and are taking great leaps forward.

So I will give you the most important news first: The PANTAFLIX Group's revenue increased by 18.7% in the first half of 2018 to around EUR 13.8 million (+ 2.2 million; previous year: EUR 11.7 million). We are growing in all business areas, our PANTAFLIX VoD platform is enjoying strong momentum, and our pipeline in the film production business is well-filled. I would now like to give you more details on the developments in the half-year reporting period and then take a look at the future of PANTAFLIX AG.

### STRONG MOMENTUM IN THE DIGITAL BUSINESS AREA

At the end of June 2018, our PANTAFLIX VoD platform registered dynamic customer growth to around 400,000 users, reflecting the initial results of a focus marketing campaign: The PANTAFLIX offering is delighting our users. For us, this success is testament to our innovative exploitation approach. So that we can keep building on this dynamic growth and remain attractive to our customers, we have also continuously expanded the range of content in the past six months. At the end of the first half of the year, the PANTAFLIX catalogue contained over 23,000 films and series. Up to the reporting date, PANTAFLIX Technologies GmbH agreed extensive content deals with strong partners such as the major Hollywood studio Warner Bros., with StudioCanal, with Premiere Digital from the USA and most recently with the distribution arm of ProSiebenSat.1 Media SE, Red Arrow Studios International GmbH.

We can therefore offer our target group, the more than 258 million expats around the world, diverse and high-quality content. To coin a catchy slogan, we want to be the best "away from home platform" for our customers.

But even the best VoD service can be a success only if it has the right infrastructure. This includes a payment system with the highest level of security and easy-to-use, stable and wide-reaching apps. We have achieved important milestones in terms of reach in particular. Our content was already available via Amazon Fire TV, the web, Apple iOS, and Android. In the first half of 2018, we took an invaluable step to increase our overall reach by launching the PANTAFLIX app for Apple TV. As at the reporting date, apps are already live for Android TV and for TVs from Samsung, one of the

biggest providers of smart TVs. Our engineers are hard at work on further opportunities to expand. For example, we recently announced the rollout to 23 countries in Central and South America and the launch in the global language of Spanish. Film and TV fans can thus access their favourite content in 68 countries and use the VoD platform in seven languages.

PANTAFLIX's potential is far from exhausted, however. I will now tell you about the opportunities and value of our VoD platform.

### PANTALEON FILMS GMBH IS PRODUCING MORE THAN EVER

Directly after the New Year, our comedy 'Hot Dog' opened at the top of the German box office charts. Another production from our company, 'A Jar Full of Life', hit cinemas in early March. Two months later, in May, the second season of 'You Are Wanted', a co-production with Warner Bros. Entertainment and Warner Bros. International Television Production for Amazon Prime Video, reached the next milestone in its success story. 'You Are Wanted' is the most successful series of all time for Amazon Prime Video in Germany and Austria. In addition, the second season was the first German series to celebrate its world premiere in Hollywood. Of course, we are not content to rest on our laurels. Instead, we want to expand on our success. In September 2018 alone, PANTALEON Films GmbH is starting filming on 'Am Ende Legenden' (AT), 'Dem Horizont so nah' and 'Resistance', its largest and first international film production. Furthermore, the film '100 Dinge' with Florian David Fitz and Matthias Schweighöfer is opening in cinemas in December 2018.

There is also much to report with regard to our series. We have co-produced the thriller series 'Beat', which will be released at the end of the year, with Die Hellinger/Doll Filmproduktion and Warner Bros. for Amazon Prime Video. As part of the launch of YouTube Premium in September, PANTALEON Films GmbH also celebrated the premiere of the series 'Bullsprit', one of the three first German YouTube Originals for the Google subsidiary.

### FOUNDATION LAID FOR FURTHER GROWTH – OUTLOOK

We are convinced that we will continue to grow on the basis of the measures we have taken – we feel optimally equipped for the future. Our production pipeline is well-filled – we will continue to offer exciting and diverse feature films and VoD series of the highest quality.

I have already told you about the development in our digital end-customer business. But we also see attractive business-to-business (B2B) opportunities with the PANTAFLIX VoD platform. Content is becoming increasingly important; physical products have to be loaded with stories. Companies from a wide range of industries are thus becoming content providers. With our self-developed and market-tested technology, we offer a full service for strategic partners who would like to offer end customers their own content themselves. We are therefore optimistic and anticipate good market opportunities for PANTAFLIX in the B2B segment.

The foundation for successful further growth has been laid. The prerequisite for our success is first and foremost our team. Therefore, I would like to thank the employees on behalf of the entire Management Board for their passion and dedication. I would like to thank you, dear shareholders, for the trust you have placed in us.

Kind regards,  
**Stefan Langefeld**

A handwritten signature in black ink, appearing to read 'Stefan Langefeld', is centered below the typed name. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

A hand is shown holding a smartphone. The phone's screen displays a world map projection and various data charts, including a bar chart and a line graph. A bright, glowing light emanates from the center of the screen, creating a lens flare effect. The background is a blurred office setting with people in business attire.

PANTAFLIX  
ONE WORLD  
ONE SCREEN

# THE PANTAFLIX AG SHARE

In February 2018, PANTAFLIX AG's shares were included in Deutsche Börse's new Scale 30 selection index. PANTAFLIX AG qualified thanks to its order book turnover on the Xetra and Frankfurt trading platforms. 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 price and performance versions (ISIN: DE000A2JOPW5 or DE000A2GYJT2, respectively). Weighting within the index is based on market capitalisation and is adjusted quarterly.

## SHARE PRICE PERFORMANCE IN FIRST HALF OF 2018

After an initially solid sideways movement at the beginning of 2018, the international equity markets saw negative price trends in the first three months of the current financial year due to strained trade relations and the 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. Nonetheless, the German stock index (DAX) closed the first half of 2018 down 4.7%. There was a drop of 6.4% in the first quarter of 2018 compared to the DAX closing price for 2017 and growth of 1.6% from April to June 2018.

The price performance of the PANTAFLIX share did not reflect the company's growth in the first half of 2018, despite the success in all business areas. While the PANTAFLIX VoD platform continued to be significantly enhanced, PANTALEON Films produced more films than ever before. Meanwhile, the PANTAFLIX share price dropped 66.9% from January to June 2018. PANTAFLIX AG's shares opened at a price of EUR 189.00 in Xetra trading on 2 January and posted the high for the first half of the year at EUR 203.00 on 22 January. The PANTAFLIX AG shares marked their low of EUR 57.40 on 27 June 2018. At the end of the first half of the year, trading in PANTAFLIX AG shares closed at a price of EUR 62.60 on 29 June 2018.

The PANTAFLIX share regained ground after the end of the reporting period. On the basis of promising company announcements on content deals, initial figures for the PANTAFLIX VoD platform and highlights in the production business, the price rose to EUR 93.00 on 27 July 2018.

## SHARE PRICE PERFORMANCE IN FIRST HALF OF 2018

Opening price	2 January 2018	EUR	189.00
Low	27 June 2018	EUR	57.40
High	22 January 2018	EUR	203.00
Closing price	29 June 2018	EUR	62.60
Market capitalisation		EUR	79.5 Mio.
Price performance			- 66.9%

The average trading volume in PANTAFLIX shares at all German stock exchanges increased significantly to 5,776 shares in the reporting period compared to 1,656 in the same period of the previous year. As at 30 June 2018, the market capitalisation amounted to EUR 79.5 million based on 1,270,500 shares. As at the 2017 reporting date, the market capitalisation based on a closing price of EUR 189.10 and the same number of shares had been EUR 240.3 million (all figures based on Xetra share prices).

As the designated sponsor, Hauck & Aufhäuser Privatbankiers KGaA issues binding bid and ask prices and thus 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](http://www.pantaflixgroup.com).

## SHARE INFORMATION

Stock exchange	Xetra, Frankfurt
Symbol	PAL
Total number of shares	1,270,500
Share capital	EUR 1,270,500
ISIN	DE000A12UPJ7
WKN	A12UPJ
Market segment	Open market
Transparency level	Scale
Index membership	Scale 30, MSCI Germany Index
Designated sponsor	Hauck & Aufhäuser Privatbankiers AG

## INVESTOR RELATIONS

Intensive communication with the capital market is an important component of the corporate strategy for PANTAFLIX AG. In the first half of 2018, the management of PANTAFLIX AG once again held discussions with institutional and private investors, financial analysts and representatives of the financial and business press in Germany and abroad to explain the Group's business performance and strategy.

## OVERVIEW OF INVESTOR RELATIONS CONFERENCES

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

March 2018  
Metzler German Microcap Day, Frankfurt/Mai

April 2018  
Munich Capital Market Conference – MKK, Munich

May 2018  
Spring Conference, Frankfurt/Main

May 2018  
Stockpicker Summit, Saint Tropic

September 2018  
Deutsche Börse Cash Market Investor Targeting, Monaco

September 2018  
Leaders Dialogue, Egon Zehnder, Frankfurt

## SELECTED RESEARCH AND ANALYSIS

The PANTAFLIX AG share is regularly analysed and valued by the renowned banking firms Hauck & Aufhäuser KGaA and B. Metzler seel. Sohn & Co. KGaA and by SMC Research, an analyst firm specialising in SMEs. Since 7 February 2018, the coverage of PANTAFLIX AG has been completed by Warburg Research, the experts for the German equity market. In their latest studies, all analysts recommend the PANTAFLIX AG share as a Buy.

## OVERVIEW OF RESEARCH AND ANALYSIS

Research firm/analyst	Recommendation	Price target
<b>Hauck &amp; Aufhäuser/</b> Pierre Gröning	BUY	EUR 350.00
<b>Metzler Equity Research/</b> Alexander Neuberger	BUY	EUR 100.00
<b>SMC Research/</b> Dr Adam Jakubowski	Speculative BUY	EUR 290.00
<b>Warburg Research/</b> Marius Fuhrberg	BUY	EUR 140.00

Various studies can be downloaded from the Investor Relations section at [www.pantaflixgroup.com](http://www.pantaflixgroup.com).

### ANNUAL GENERAL MEETING

PANTAFLIX AG's Annual General Meeting was held after the end of the reporting period in Munich on 25 July 2018. The Management Board provided information on the positive development in the 2017 financial year and answered questions from the shareholders. CEO Stefan Langefeld and CPO Nicolas Paalzow also presented a preview of the media group's next steps.

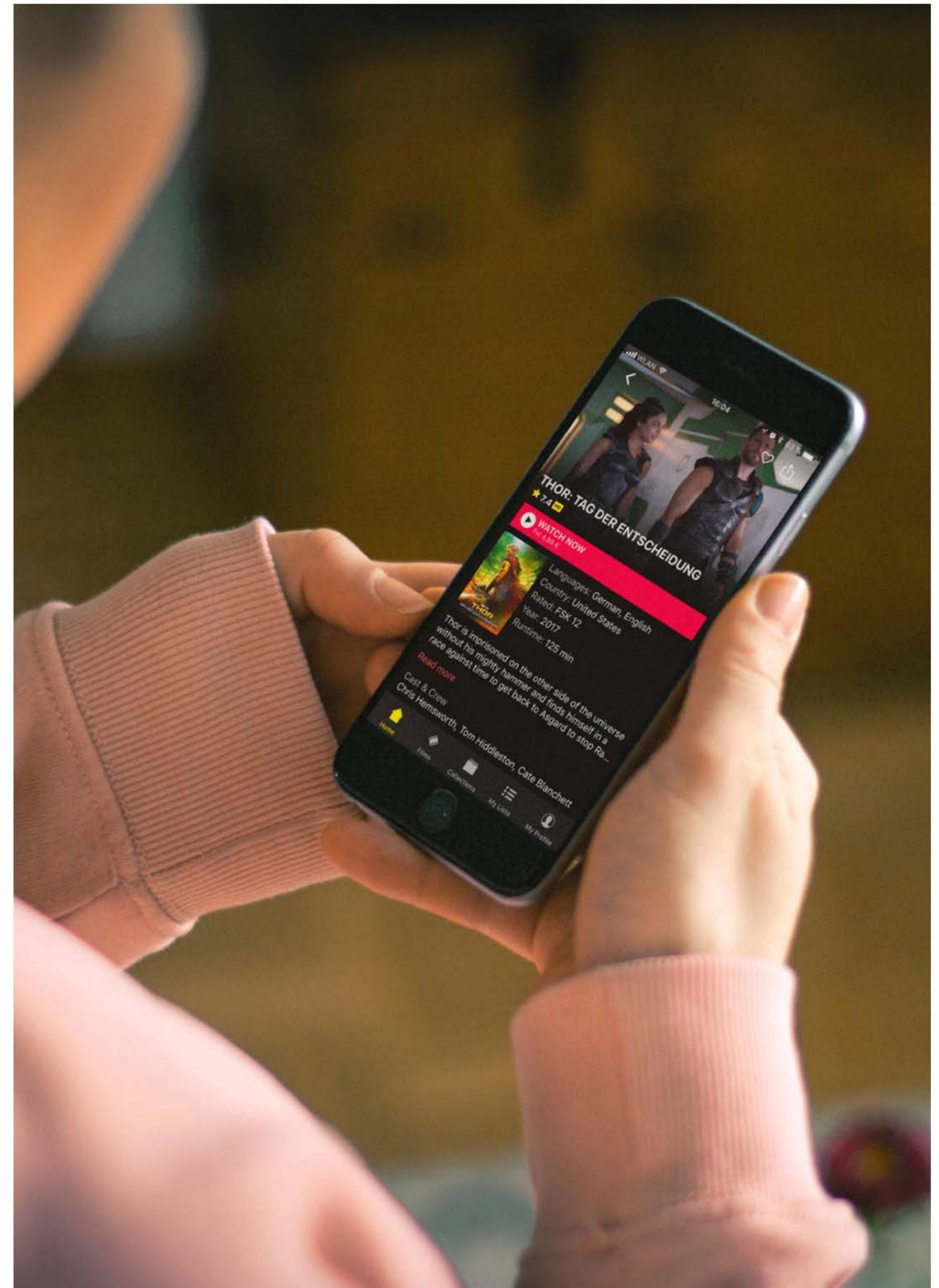
The Annual General Meeting centred on the resolution on the capital increase from reserves of EUR 12.7 million, which the shareholders approved by a very large majority. It increases PANTAFLIX AG's share capital by EUR 12,705,000.00 from EUR 1,270,500.00 to EUR 13,975,500.00 through the conversion of part of the company's capital reserves recognised in the annual balance sheet as at 31 December 2017. The associated share split is implemented by issuing 12,705,000 new shares. The company's shareholders receive bonus shares at a ratio of 1:10 from the increase in share capital through a (partial) conversion of own capital reserves. The new shares carry dividend rights from the start of the 2017 financial year. The share split increases the attractiveness of the PANTAFLIX share for private investors in particular and simultaneously the trading liquidity.

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](http://www.pantaflixgroup.com).

### SHAREHOLDER STRUCTURE

The company is aware of the shares that must be disclosed according to section 20 (5) of the German Stock Corporation Act (AktG). For example, it was notified that BlackMars Capital GmbH still directly holds more than a quarter of the shares in PANTAFLIX AG, but not a majority holding.

<sup>1</sup> <https://www.metzler.com/de/metzler/bankhaus/presse-news/details/news/Metzler/MAM/Kapitalmarkt/markt-aktuell/Quartalsausblick/2018/Marktaktuell-Q2-2018>  
<sup>2</sup> <https://www.metzler.com/de/metzler/bankhaus/presse-news/details/news/Metzler/MAM/Kapitalmarkt/markt-aktuell/Quartalsausblick/2018/Marktaktuell-Q3-2018>





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DISTRIBUTION  
EXPERTS &  
FILM LOVERS

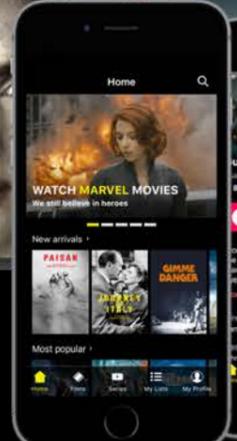
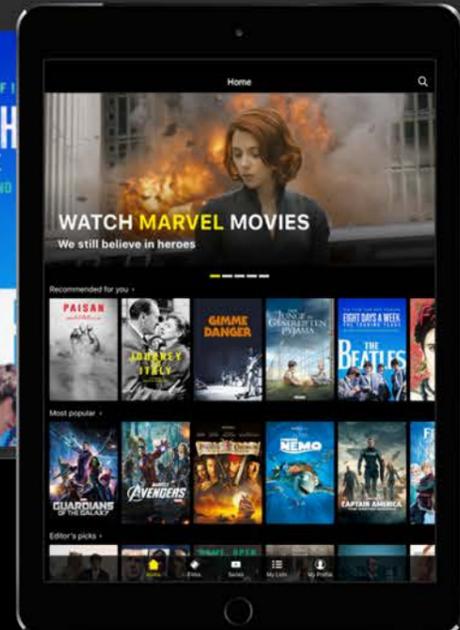
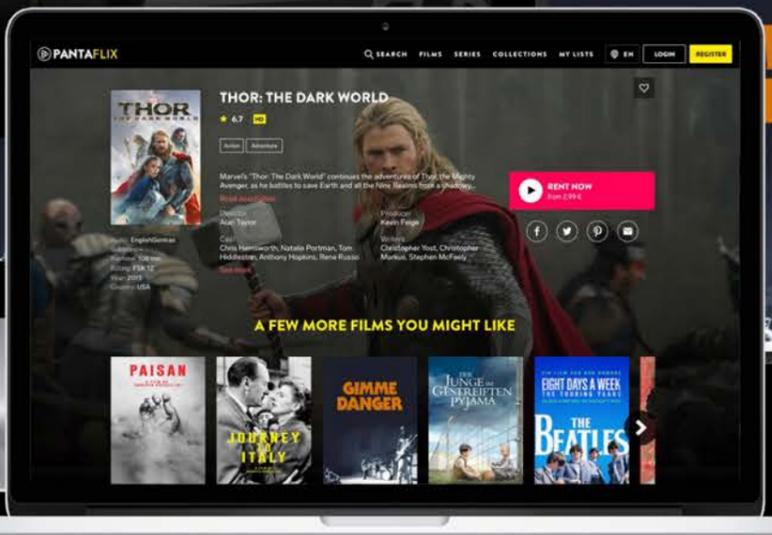
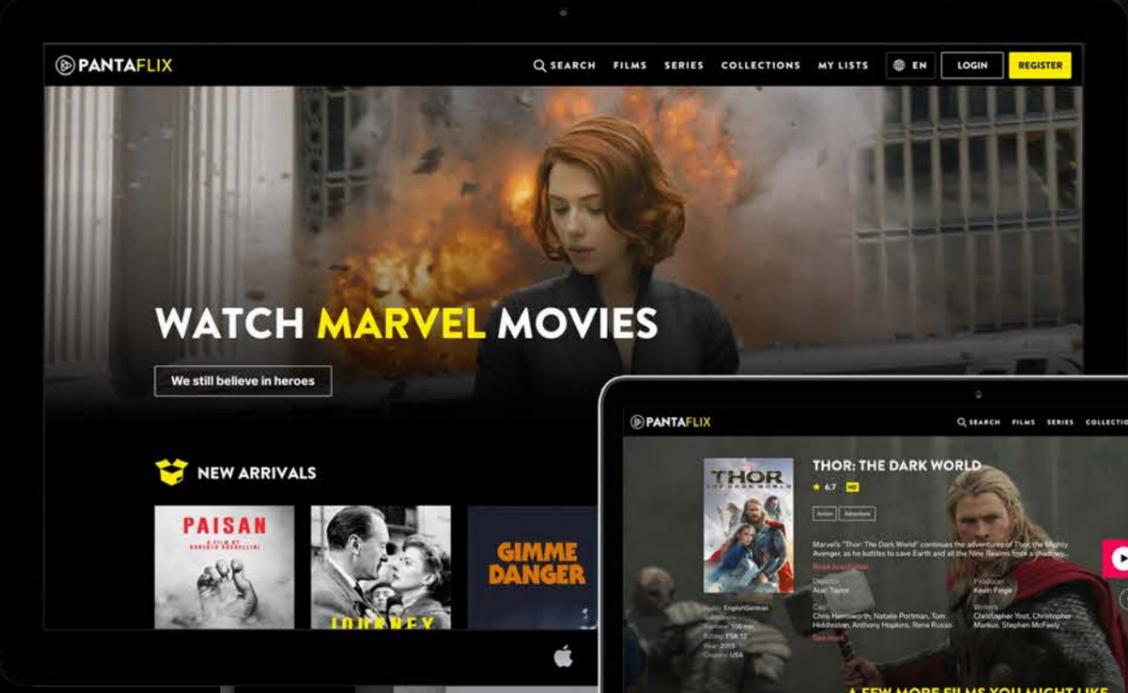


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Daniel Day-Lewis' i



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DISNEY PIXAR

DISNEY PRINCESSES

DISNEY

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## GUARDIANS OF THE GALAXY

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Audio: English, German  
Subtitles: ...  
Runtime: 116 Min  
Age Rating: PGK 12  
Year: 2014  
Country: USA

Director: James Gunn  
Producer: Kevin Feige  
Cast: Chris Pratt, Zoe Saldana, Dave Bautista, Vin Diesel, Bradley Cooper, Lee Pace, Michael Rooker  
Music: Tyler Bates  
Writer: Nicole Perlman, James Gunn

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# YOU ARE PANTAFlix. YOU ARE FILM.

Who we are + what we believe

How Pantaflix works for filmmakers & rights holders

Latest updates + coming soon

**WHO WE ARE + WHAT WE BELIEVE**

The shorter version: We're aiming to make Pantaflix the easiest and most rewarding place to get your work seen by film fans all around the world.

The longer version: As a group of experienced and successful filmmakers, we know that getting your work watched by film fans all around the world is the best reward for your hard work and talent. And that getting treated fairly is absolutely vital.

From hit movies that need distributing in countries beyond their current deal, to smaller indie films that need easy access to a global marketplace, Pantaflix makes things better for every film, every filmmaker, and every rights holder.

We're rolling out to more countries and adding new features all the time, so the sooner you start sharing your work here, the better.

**HOW PANTAFlix WORKS FOR FILMMAKERS & RIGHTS HOLDERS**

SHARE YOUR FILMS FOR FREE, ALWAYS

VIEW AROUND THE PLANET + STAY IN CONTROL

ENJOY NEW REVENUE STREAMS + GET PAID A FAIR AMOUNT

**READY TO SHARE YOUR WORK WITH THE WORLD?**

Create your account now

WANT TO GIVE FEEDBACK?

Send us your thoughts on how we could make it even easier for you, we're always happy to hear your ideas or feedback.

UPDATES + COMING SOON

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Explore the catalogue

Find out how we make things easier for your potential audience to enjoy films like yours.

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# GENERAL ECONOMY AND SECTOR

## GENERAL ECONOMIC CONDITIONS IN THE FIRST HALF OF 2018

For PANTAFLIX AG and its subsidiaries, the development of the global economy and economic growth in Europe and Germany are hugely important to the development and production of feature films, global licensing of the rights to these films and distribution via the video-on-demand platform PANTAFLIX.

According to the International Monetary Fund (IMF), the global economy continued to climb towards its two-year high at the beginning of 2018. However, the growth rate has peaked already in some national economies. Moreover, the growth rates in industrialised nations increasingly diverged, especially between the United States, Europe and Japan. The IMF expects global economic output to grow by 3.9% in both 2018 and 2019.<sup>1</sup>

Growth prospects for emerging and developing economies likewise drifted apart according to the IMF. This was the result of the rise in oil prices, interest rate hikes in the USA and increasing uncertainty due to escalating trade disputes and geopolitical tensions. The International Monetary Fund expects GDP in emerging and developing economies to increase by 4.9% in 2018 and 5.1% in 2019.<sup>2</sup>

In the People's Republic of China, economic growth is set to decline to 6.6% in 2018 as a whole and to 6.4% in 2019. This is due to the tighter regulation of the financial sector and weaker export demand.<sup>3</sup>

For the USA, the experts from the International Monetary Fund expect growth of 2.9% in 2018 and 2.7% in 2019. Fiscal stimulus together with robust private demand is expected to lift economic production further and lower the unemployment rate to its lowest point in 50 years.<sup>4</sup>

In contrast, the IMF revised its forecast down by 0.2 percentage points for various eurozone countries, including Germany and France, after the first quarter of 2018 fell short of expectations with activity softening more than expected. Economic growth in the eurozone is projected to slow gradually to 2.2% in 2018 and 1.9% in 2019.<sup>5</sup>

The German economy kept growing in the first half of 2018. Gross domestic product (GDP) increased by 0.5% in the second

quarter of 2018 compared to the previous quarter. According to the Federal Statistical Office of Germany (Destatis), the increase in the first quarter of 2018 compared to the final quarter of 2017 was slightly lower at 0.4%. The economic growth received positive stimulus from within the country: Both private households and the public sector increased their consumer spending. Corporate investment also picked up on the first quarter of 2017. The development in foreign trade was characterised by increasing exports and a comparatively large increase in imports.<sup>6</sup> The unemployment rate in Germany was 3.4% in June 2018.<sup>7</sup>

With the ongoing economic boom in Germany, the leading economic research institutes have lifted their growth forecast for 2018 as a whole by 0.2 percentage points to 2.2%. At the same time, however, unused economic capacities are shrinking, leading to a slight loss of economic impetus. For 2019, the institutes foresee growth of 2.0%, which is greater than that of the eurozone.<sup>8</sup>

## CINEMA ENTERTAINMENT AND VIDEO-ON-DEMAND (VOD) MARKET

The sectors and market segments addressed by PANTAFLIX AG, in which the Group plays a part in shaping with its innovative video-on-demand platform PANTAFLIX and the production of feature films and series, developed very dynamically, especially in the entertainment industry.

In general, the upward trend in the cinema business of the previous year did not continue. According to the German Federal Film Board (FFA), the number of tickets sold in German cinemas declined significantly in the first half of 2018, with a drop of around 15% to a total of 51 million. Total revenue fell by a considerable 15.3% to EUR 439.1 million.

This was because distributors have so far refrained from major film releases around the Football World Cup and the exceptionally hot summer.

The cinema business depends on the attractiveness of the films offered. In light of this, it is all the more gratifying that German films performed positively and thus counter to the trend: With 11.3 million tickets, the German market share grew by around 4 percentage points year on year to 22.4%. Most of the films

released were German, with 119 releases (previous year: 120), while there were 70 premieres of US productions (previous year: 87). In total, the number of film releases in the first half of 2018 declined by 17 to 281.

The FFA is optimistic that the German cinema market can expect an appreciable increase in the number of tickets sold given strong releases in the second half of the year. In particular, the FFA cites the comedy '100 Dinge' from PANTAFLIX AG, created by and starring Florian David Fitz and Matthias Schweighöfer. The development in the number of screens was similarly very pleasing in the first half of the year. As at 30 June 2018, there were 4,812 cinema screens in Germany – 141 more than in the year before and more than at any time in the past ten years. In addition, the number of cinemas rose from 1,662 to 1,671 in the space of a year.<sup>9</sup>

In the video-on-demand segment, PANTAFLIX AG's platform pursues an innovative approach with a global offering of local productions that are billed individually when watched (transactional video-on-demand, TVoD). PANTAFLIX is already delivering content to film fans in 68 countries around the world and is available wherever expatriates are located – away from home. Providers such as Amazon Prime and Netflix focus on streaming content (subscription video-on-demand, SVoD), the availability of which is time- and region-restricted, and on the production of exclusive content.

The market research company Statista expects average revenue growth for video-on-demand of 4.8% per year to nearly EUR 30 billion by 2022. It expects an average annual growth rate of around 4.0% for TVoD, while SVoD is set to grow by an average of 5.1% per year.<sup>10</sup> The video-on-demand (VoD) market has expanded by leaps and bounds in the recent past and will remain highly profitable in the future, according to a recent study by Transparency Market Research (TMR). The study identifies geographical expansion in particular as a key strategy of leading companies. At the same time, it puts the monopoly of individual providers into perspective. The study asserts that the ten largest market participants accounted for only less than half of the market in 2017 and that the fragmentation will keep increasing. The TMR experts' claims underscore the importance of PANTAFLIX's business model for its position in the global market: Geographical expansion, agreement with

major content producers and the addition of fresh content according to local requirements are apparently crucial for success.<sup>11</sup> The availability of content that is otherwise unavailable due to regional restrictions via Apple TV, Amazon Fire TV, the web, Apple iOS, Android and Android TV, Samsung smart TVs and Windows offers PANTAFLIX potential access to millions of users all over the world. With its innovative and global business model, PANTAFLIX is superbly positioned for the further development of the VoD market.

1-5 <http://www.imf.org/en/Publications/WEO/Issues/2018/07/02/world-economic-outlook-update-july-2018>

6 [https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2018/08/PD18\\_316\\_811.html](https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2018/08/PD18_316_811.html)

7 [https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2018/07/PD18\\_281\\_132.html](https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2018/07/PD18_281_132.html)

8 <https://www.cesifo-group.de/de/ifoHome/Facts/Forecasts/Gemeinschaftsdiagnose/Archiv/GD-20180419.html>

9 [https://www.ffa.de/aid=1469.html?newsdetail=20180820-1565\\_kino-halbjahresbilanz-der-ffa-deutlich-weniger-besucher-und-umsatz-aber-der-deutsche-film-legt-zu](https://www.ffa.de/aid=1469.html?newsdetail=20180820-1565_kino-halbjahresbilanz-der-ffa-deutlich-weniger-besucher-und-umsatz-aber-der-deutsche-film-legt-zu)

10 <https://de.statista.com/outlook/201/100/video-on-demand/weltweit>

11 <https://www.transparencymarketresearch.com/pressrelease/video-on-demand-market.htm>

# BUSINESS DEVELOPMENT

PANTAFLIX AG is a fully integrated media corporation with a strong focus on production and the digital business area. The core operating activities of PANTAFLIX AG and its subsidiaries are therefore the development and production of feature films and VoD series and the exploitation and marketing of the resulting rights via international partners. In the digital business area, the company operates its specially built video-on-demand platform PANTAFLIX, with which it has been successful in the entertainment industry's fastest-growing market segment since 2016.

PANTAFLIX AG's digital business area is growing with a steadily expanding offering on the VoD platform, which is having a positive effect on growth momentum in the end-customer business: A focus marketing campaign initially resulted in users in this group accessing an average of 1.6 titles with an average value of EUR 3.80 in June 2018, which generated revenue of EUR 6.10 per user. Overall, PANTAFLIX achieved growth of 198% to around 400,000 users within three months in the second quarter of 2018, and has around 23,000 available titles. In the production segment, the media group started the first half of 2018 with a successful cinema release ('Hot Dog'). In addition, the PANTAFLIX AG subsidiary PANTALEON Films GmbH has more projects in the pipeline than ever, including 'Resistance', its largest and first international film production with a Hollywood cast. Last but not least, the Group qualified for inclusion in Deutsche Börse's new Scale 30 Index in February and was in third place as at 31 August 2018.

## STRONG USER GROWTH, STRONG CONTENT PARTNERS AND HIGH REACH

In the first half of 2018, PANTAFLIX AG's digital business area grew sharply. PANTAFLIX Technologies GmbH expanded the portfolio of its PANTAFLIX VoD platform with extensive content agreements with the global distributors StudioCanal and Premiere Digital, and later in August 2018 with the major Hollywood studio Warner Bros. and with Red Arrow Studios International GmbH. The streaming offering thus increased to around 23,000 titles at the end of the first half of 2018. After the global rollout in May 2018, PANTAFLIX was live in 68 countries, such as Australia, New Zealand and South Africa. Most recently, in September 2018, the company announced the rollout to 23 Central and South American countries such as Mexico, Brazil and Chile, and the launch in the global language

of Spanish. Film and TV fans can thus access their favourite content globally in a total of 68 countries and use the VoD platform in seven languages. The PANTAFLIX VoD platform's radical internationalisation marks a milestone on its journey to becoming a global provider of national content for around 258 million expats worldwide.

In June 2018, PANTAFLIX AG widened the technical reach of its PANTAFLIX VoD platform with a new, important channel: The launch of the PANTAFLIX app for Apple TV gives PANTAFLIX Technologies GmbH access to millions of Apple TV users, who thus have access to non-region-restricted content via PANTAFLIX. More major launches of PANTAFLIX apps for Android TV and Samsung smart TVs followed in August and September. This means PANTAFLIX is now available worldwide via Amazon Fire TV, Google Android, Apple iOS, Apple TV, Android TV and Samsung smart TVs and in traditional style via web browser. PANTAFLIX generated around 600,000 app downloads across all services by the end of the first half of 2018.

## STRONG MOMENTUM IN PANTAFLIX AG'S PRODUCTION BUSINESS

The first half of 2018 began successfully for the PANTAFLIX AG subsidiary PANTALEON Films GmbH with world premieres of the feature films 'Hot Dog' (Til Schweiger, Matthias Schweighöfer) in January 2018 and 'A Jar Full of Life' (Jella Haase, Matthias Schweighöfer) in March 2018. 'Hot Dog' entered the German box office charts in first place, usurping the former frontrunner 'Star Wars: The last Jedi'. Furthermore, the production of 'You Are Wanted' seasons 1 and 2, the most successful German Amazon Prime Video series of all time, elevated PANTALEON Films GmbH into the relevant set of producers of international content; the second season of the hit series celebrated its world premiere in Los Angeles in May. In February, PANTALEON Films GmbH agreed to produce an international film adaptation Mozart's 'The Magic Flute' together with Roland Emmerich's production company Centropolis Entertainment and Flimmer, a subsidiary of the Webedia Group. In Germany, PANTALEON Films GmbH recently completed filming for '100 Dinge', a feature film by Florian David Fitz (director and leading actor) and Matthias Schweighöfer (producer and leading actor), in coproduction with its long-standing partner Warner Bros. Entertainment GmbH. The film will be released in December 2018. Another significant film project is Resistance: In the first half

of the year, the company made extensive preparations for the shooting of its largest and first English-language production. The internationally produced film will tell the life story of the French mime artist Marcel Marceau (played by Jesse Eisenberg, 'The Social Network'), who heroically rescued Jewish children by helping them over the German border in the Second World War.

# DEVELOPMENT OF RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

In the first half of 2018, the development of the PANTAFLIX Group's results of operations, financial position and net assets was significantly shaped by the activities of PANTAFLIX Technologies GmbH and the subsidiaries PANTALEON Films GmbH and PANTALEON Pictures GmbH, which operate in film production.

## RESULTS OF OPERATIONS

In the period from 1 January to 30 June 2018, the PANTAFLIX Group's revenue rose by 18.7% to EUR 13,847 thousand (previous year: EUR 11,668 thousand). Gross revenue, after changes in inventories of ongoing or completed commissioned film and series productions of EUR -6,270 thousand (previous year: EUR 177 thousand) and other operating income of EUR 477 thousand (previous year: EUR 1,424 thousand), totalled EUR 8,055 thousand (previous year: EUR 13,269 thousand). It must be noted here that revenue from ongoing productions is not recognised until later in the financial year due to its project-related character.

The cost of materials, including expenses for commissioned productions, marketing and subsequent costs for completed projects as well as co-producers' shares in proceeds from the exploitation of film rights, amounted to EUR 4,971 thousand in the first half of 2018 (previous year: EUR 1,519 thousand), in line with the increased number of productions. Due to the strategic increase in the Group's workforce, personnel expenses increased from EUR 1,745 thousand in the previous year to EUR 2,796 thousand. With intensified marketing and development activities in the video-on-demand segment, other operating expenses increased to EUR 3,418 thousand in the first half of 2018 (previous year: EUR 1,584 thousand). In half-year reporting period, operating earnings (EBITDA) therefore amounted to EUR -3,130 thousand. Depreciation and amortisation – consisting mainly of amortisation of internally generated intangible assets – amounted to EUR 1,205 thousand (previous year: EUR 10,214 thousand) and was largely influenced by performance-related write-downs on the capitalised production costs of film projects. The consolidated net loss for the first half of the year after minority interests amounted to EUR 4,244 thousand (previous year: EUR 1,746 thousand). The earnings in the film business remain positive.

## FINANCIAL POSITION

The financial position of the Group is stable. Cash and cash equivalents of EUR 17,864 thousand were reported in the balance sheet as at 30 June 2018 (31 December 2017: EUR 17,095 thousand).

## NET ASSETS

The Group's total assets fell from EUR 46,014 thousand as at 31 December 2017 to EUR 37,732 thousand. The Group's asset structure changed at the same time, especially in current assets, which fell to EUR 26,792 thousand (31 December 2017: EUR 41,396 thousand). The completion of film projects resulted in a reduction in inventories by EUR 6,270 thousand to EUR 4,486 thousand (31 December 2017: EUR 10,784 thousand). Furthermore, trade receivables declined by EUR 9,228 thousand to EUR 3,418 thousand (31 December 2017: EUR 12,645 thousand).

Fixed assets increased to EUR 10,847 thousand as at 30 June (31 December 2017: EUR 4,542 thousand). This increase is attributable primarily to the sharp rise in capitalised production costs for projects in development and production (from EUR 1,397 thousand as at 31 December 2017 to EUR 8,123 thousand at the end of the first half of 2018). Capitalised production costs are recognised under 'advance payments for internally generated industrial property rights and similar rights'.

Equity amounted to EUR 21,754 thousand at the end of the first half of 2018 (31 December 2017: EUR 26,104 thousand). As at 30 June 2018, the equity ratio of 58% was slightly higher than on 31 December 2017 (57%). Provisions increased moderately to EUR 2,372 thousand (31 December 2017: EUR 2,273 thousand). Overall, liabilities declined from EUR 16,909 thousand as at 31 December 2017 to EUR 13,059 thousand at the end of the first half of the year. Liabilities to banks fell to EUR 2,902 thousand (31 December 2017: EUR 4,917 thousand), due primarily to the completion of projects. Advance payments received rose from EUR 6,224 thousand to EUR 8,447 thousand, chiefly on the basis of ongoing productions. Trade payables amounted to EUR 1,043 thousand as at 30 June 2018 (31 December 2017: EUR 3,112 thousand). Other liabilities declined from EUR 2,657 thousand as at 31 December 2017 to EUR 666 thousand as at 30 June 2018 due to lower VAT liabilities.

# REPORT ON EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, PANTAFLIX AG in particular agreed important partnerships of significance for the future development of the business.

In line with its international expansion strategy, PANTAFLIX AG agreed a global content deal with Premiere Digital Services, Los Angeles, a globally leading US distributor, on 12 July 2018. Premiere Digital is a partner for all major Hollywood studios with regard to the aggregation, distribution and maintenance of digital film and series content and has global contracts with thousands of international rights holders.

The agreement of an extensive content deal between PANTAFLIX AG and Warner Bros. Entertainment for the digital business area on 1 August 2018 was a milestone for the media group. PANTAFLIX's offering was thus expanded by a strong entertainment package from one of the world's largest Hollywood studios.

In August 2018, PANTAFLIX Technologies GmbH reached an agreement with the distribution firm Red Arrow Studios International GmbH, part of ProSiebenSat.1 Media SE, one of Europe's leading media companies, regarding the exploitation of national content abroad. In the same month, PANTAFLIX Technologies GmbH also came to an agreement on the exploitation of German content abroad with the distributor Picture Tree International GmbH. The agreement with the two distributors enlarges the VoD platform's streaming offering enormously and demonstrates PANTAFLIX AG's forward-looking approach of making regional film and series content available globally to natives of the content's country of origin.

In August 2018, the first-time sale of a remake licence to China sent a signal for the growth of PANTAFLIX AG. The production firm China Lion Entertainment Production Inc. will remake the box office hit 'The Most Beautiful Day' for the Chinese market with a Chinese cast. The Asian region is a highly significant market for the company, and the sale of the first remake to China is an important step in the corporate strategy of producing blockbusters with international potential from Germany.

In August and September 2018, there were more major launches of PANTAFLIX apps for Android TV and Samsung smart TVs. PANTAFLIX is thus expanding its existing reach via Amazon Fire TV, Google Android devices, Apple iOS devices, Apple TV and the web. In September 2018, PANTAFLIX announced the rollout to 23 countries in Central and South America, such as Mexico, Brazil and Chile, and the launch in the global language of Spanish, which is spoken by 400 million people. Film and TV fans can thus access their favourite content in 68 countries and use the VoD platform in seven languages.

# REPORT ON RISKS, OPPORTUNITIES AND EXPECTED DEVELOPMENTS

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.

## OPPORTUNITIES AND RISKS IN THE DIGITAL BUSINESS AREA

### VoD platform

The rapid growth of the VoD market continues unabated. The reception of content via online platforms exceeded the conventional media reception of home entertainment for the first time in 2017. But the market is fiercely competitive, and PANTAFLIX AG is competing with strong companies with more financial resources, a longer history, more advanced corporate structures and greater marketing resources. In order to position itself successfully among this competition, the PANTAFLIX subsidiary PANTAFLIX Technologies GmbH must base itself on three pillars: sufficient and attractive film content; excellent technical availability via apps, features and expanded territory and the platform's attractive customer usability. Measures in these areas must be supported by corresponding marketing measures – all with the aim of winning over more users for PANTAFLIX. The measures described above entail a risk of rising costs. But such strong, global growth on the VoD market opens up many opportunities. With its PANTAFLIX VoD platform, PANTAFLIX AG appeals to a large niche market of more than 258 million expats worldwide. PANTAFLIX already has a strong position in this market segment. The growing VoD trend is also bringing an additional opportunity for PANTAFLIX AG. PANTAFLIX's specially built infrastructure, together with its know-how in the operation and marketing of a VoD platform, can be offered to the market as a full service and thus secure another pillar in the VoD market

### Youth protection and risk of copyright infringements

Attractive and extensive content is indispensable for the success of the PANTAFLIX VoD platform. Ample outstanding content must be released regularly. PANTAFLIX Technologies GmbH participates in the FSK programme for the protection of young people to ensure the necessary youth protection.

PANTAFLIX Technologies GmbH is also at risk of copyright infringement.

### Exchange rate risk

Costs at PANTAFLIX are incurred primarily in euros. In countries outside of Europe, however, streams are offered in national currencies, such as the US dollar in the USA. In principle, this results in exchange rate risk in the event of sharp currency fluctuations. As a countermeasure, PANTAFLIX Technologies GmbH regularly reviews the prices set when content is released and reserves the right to make compensatory price adjustments.

### IT risks

The operational reliability and performance of the technical infrastructure, including data centres and billing systems, are very important factors for a successful transaction. To guarantee that the system works smoothly, PANTAFLIX Technologies GmbH has set up a qualified team of employees and collaborates with renowned and certified partners. Nonetheless, there is still a residual risk that service problems arising from system errors or failures may result in a loss of customers. To minimise this risk, the systems are kept constantly up to date and security updates are kept installed.

## OPPORTUNITIES AND RISKS OF FILM PRODUCTION

### Deterioration in the conditions of film finance policy

There is a risk that a deterioration in conditions or the actual restriction or abolition of the award practice for public-sector film funding in Germany could have a negative impact on the 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 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 programme, a large portion of the film budget can be financed by subsidies of this nature, mostly at favourable 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 able to realise film projects at

increased risk and cost only 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..

### Competitive position

In the film sector, competition for the subsidiaries operating in this area – particularly PANTALEON Films GmbH and PANTALEON Pictures GmbH – exists largely 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 favourable conditions and finding suitable partners for the successful marketing of the completed film productions

In all of these areas, PANTAFLIX AG must compete with companies that have greater financial resources, a longer history, more advanced corporate structures, greater development and distribution resources and/or better human resources

In addition, the company must vie against other film companies for attention from cinemagoers with its own in-house film productions and films for which it acquires licensing rights. There is a risk that the simultaneous release of in-house productions and productions by competitors could lead to less successful exploitation.

### Revenue shift in the exploitation chain

Competition for cinemagoers is exacerbated by the trend that the number of cinema releases is increasing while the number of cinemagoers is declining slightly. This could potentially lead to increased requirements for film marketing and, as a result, higher expenses. At the same time, cinema operators might also drop films more quickly in the face of rising competition, thereby reducing income from the distribution of theatrical feature films as a whole. The growing number of film productions could also increase competition in the further exploitation chain for film rights, especially in the home entertainment, TV and VoD sectors. This could lead to rising costs accompanied by falling revenue

The competition that already exists and the increased competition could have an adverse effect on PANTAFLIX AG's results of operations, financial position and net assets and general business performance.

## FINANCIAL RISKS

Above and beyond its holding 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.

PANTAFLIX AG's ability to obtain new 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 used throughout the Group to monitor and manage liquidity. PANTAFLIX AG manages liquidity risks by continuously monitoring the Group's forecast and actual cash flows.

### Overall risk

At the time the interim report on the first half of 2018 was prepared, the Management Board and the Supervisory Board were not aware of any risk that could jeopardise the continued existence of the company due to insolvency or overindebtedness.

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.

**OUTLOOK**

In the first half of 2018, the digital business area was further expanded and the position in the international market was strengthened.

Important steps in this direction were the global rollout to all continents, the latest rollout to South and Central America with the launch of the Spanish version of PANTAFLIX, valuable content deals with attractive content output, and the increase in technical availability with the launch of the Apple TV and Samsung TV apps, which granted access to millions of potential PANTAFLIX users around the world.

At the time of reporting in September 2018, further significant content agreements had already been concluded with PANTAFLIX Technologies GmbH. The entertainment portfolio is being expanded with lots of high-quality content, including from the major Hollywood studio Warner Bros. Entertainment, Red Arrow Studios International GmbH and the distribution company Picture Tree International GmbH. More agreements are planned before the end of 2018.

In addition to the expansion of technical reach, consistent measures to optimise the systems and the usability of PANTAFLIX and targeted marketing measures are planned for the current financial year.

For the 2018 financial year, the Group continues to expect a significant increase in revenues. As already mentioned, the half-year result was burdened by investments in the worldwide distribution of the Video On Demand platform and the two associated rollouts in 2018 as well as increased investments in marketing. Experience has shown that the fourth quarter is also the most important quarter for the annual results of PANTAFLIX AG, as is customary in the industry. Against this background, the Group continues to strive for an improvement in earnings. PANTAFLIX AG's production business is still enjoying strong momentum after the first half of 2018.

At the time of reporting, shooting had already begun on three feature films: 'Dem Horizont so nah', 'Am Ende Legenden' (AT) and 'Resistance'. Moreover, YouTube released the YouTube Originals series 'Bullsprit' as part of the launch of its premium segment in September 2018.

PANTALEON Films GmbH is one of three producers in Germany that have produced initial content for the Google subsidiary. In addition, Amazon Prime Video will release the series 'Beat' at the end of the year, which was created by PANTALEON Films GmbH as a co-production with Die Hellinger/Doll Filmproduktion and Warner Bros. Entertainment. This means that PANTAFLIX AG's production business is now established and active in the content production segment for the VoD market in addition to the traditional theatrical release business.

# CONSOLIDATED BALANCE SHEET

as at 30 June 2018

PANTAFLIX AG

ASSETS	30 Jun 2018	31 Dec 2017
	EUR	EUR
<b>A. FIXED ASSETS</b>		
<b>I. Intangible assets</b>		
1. Internally generated industrial rights and similar rights and assets	1,778,600.00	2,364,171.00
2. Purchased concessions, industrial and similar rights and assets, and licences for such rights and assets	702,075.80	589,377.46
3. Advance payments for internally generated industrial property rights and similar rights and assets	8,122,730.71	1,396,717.98
	<u>10,603,406.51</u>	<u>4,350,266.44</u>
<b>II. Tangible assets</b>		
1. Technical equipment and machinery	78,173.94	76,442.00
2. Other equipment, operating and office equipment	155,240.81	104,735.00
	<u>233,414.75</u>	<u>181,177.00</u>
<b>III. Financial assets</b>		
1. Equity investments	10,125.00	10,125.00
	<u>10,846,946.26</u>	<u>4,541,568.44</u>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Work in progress	4,485,594.21	10,755,299.71
2. Advance payments received	0.00	28,250.00
	<u>4,485,594.21</u>	<u>10,783,549.71</u>
<b>II. Receivables and other assets</b>		
1. Trade receivables	3,417,646.09	12,645,240.51
2. Receivables from other investees and investors	336,876.66	334,125.68
3. Other assets	687,097.61	538,312.51
	<u>4,441,620.36</u>	<u>13,517,678.70</u>
<b>III. Cash-in-hand and bank balances</b>	<u>17,864,330.71</u>	<u>17,095,010.05</u>
	<u>26,791,545.28</u>	<u>41,396,238.46</u>
<b>C. PREPAID EXPENSES</b>	<u>93,608.63</u>	<u>76,468.98</u>
	<u><b>37,732,100.17</b></u>	<u><b>46,014,275.88</b></u>

EQUITY AND LIABILITIES	30 Jun 2018	31 Dec 2017
	EUR	EUR
<b>A. EQUITY</b>		
<b>I. Subscribed capital</b>	1,270,500.00	1,270,500.00
<b>II. Capital reserves</b>	29,204,606.83	29,159,500.00
<b>III. Revenue reserves</b>		
1. Legal reserve	14,268.80	14,268.80
<b>IV. Consolidated net accumulated losse</b>	<u>-8,502,360.47</u>	<u>-4,258,799.12</u>
	<u>21,987,015.16</u>	<u>26,185,469.68</u>
<b>V. Non-controlling interests</b>	<u>-232,549.68</u>	<u>-80,601.46</u>
	<u>21,754,465.48</u>	<u>26,104,868.22</u>
<b>B. PROVISIONS</b>		
1. Tax provisions	2,058,920.37	1,843,069.37
2. Other provisions	313,228.71	430,220.84
	<u>2,372,149.08</u>	<u>2,273,290.21</u>
<b>C. LIABILITIES</b>		
1. Liabilities to banks	2,902,269.75	4,916,757.42
2. Payments received on account of orders	8,447,499.40	6,223,944.94
3. Trade payables	1,042,921.34	3,111,650.58
4. Other liabilities	666,455.12	2,656,544.51
	<u>13,059,145.61</u>	<u>16,908,897.45</u>
<b>D. DEFERRED TAX LIABILITIES</b>	<u>546,340.00</u>	<u>727,220.00</u>
	<u><b>37,732,100.17</b></u>	<u><b>46,014,275.88</b></u>

# CONSOLIDATED INCOME STATEMENT

for the period from 1 January to 30 June 2018

	1 Jan-30 Jun 2018		1 Jan-30 Jun 2017	
	EUR	EUR		
1. Revenue		13,847,221.56		11,667,888.76
2. Decrease in work in progress		-6,269,705.50		0.00
3. Other own work capitalised		0.00		176,763.00
4. Other operating income		477,139.42		1,424,262.88
5. Costs of materials				
a) Cost of purchased services		4,970,522.45		1,519,185.22
6. Personnel expenses				
a) Wages and salaries		2,427,458.52		1,509,815.47
b) Social security and post-employment costs		368,899.13		235,233.25
		<u>2,796,357.65</u>		<u>1,745,048.72</u>
7. Amortisation and write-downs of intangible assets and depreciation and write-downs of tangible assets		1,204,508.18		10,213,878.51
8. Other operating expenses		3,417,809.56		1,583,532.43
9. Other interest and similar income		4,118.39		16,905.60
10. Interest and similar expenses		1,465.97		3,374.82
11. Taxes on income		22,268.80		0.00
12. Earnings after taxes		<u>-4,354,158.74</u>		<u>-1,779,199.46</u>
<b>13. Consolidated net loss for the year</b>		<b><u>-4,354,158.74</u></b>		<b><u>-1,779,199.46</u></b>
14. Consolidated net income attributable to non-controlling interests		110,597.39		33,697.16
15. Consolidated loss		<u>-4,243,561.35</u>		<u>-1,745,502.30</u>
16. Consolidated loss carried forward		<u>-4,258,799.12</u>		<u>-2,256,143.12</u>
17. Consolidated net accumulated losses		<u>-8,502,360.47</u>		<u>-4,001,645.42</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## I. GENERAL INFORMATION

The company is entered in the commercial register of the District Court of Munich under number HRB 235252 with the name PANTAFLIX AG ("PANTAFLIX" or "PANTAFLIX Group") and its registered office in Munich. Its address is: PANTAFLIX AG, Holzstraße 30, 80469 Munich, Germany.

PANTAFLIX is a media company with a strong focus on cinema 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.

In preparing the unaudited consolidated financial statements (interim financial statements), PANTAFLIX observes the provisions on recognition, measurement and disclosure set out in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). Where there are options concerning disclosure in the balance sheet or the notes, the company selected the option of disclosure in the notes. The income statement has been drawn up using the total cost (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. The present consolidated financial statements are prepared on a voluntary basis.

The Group's interim financial statements are prepared in euros (€). Unless stated otherwise, all amounts are shown in thousands of euros. The amounts are rounded commercially.

## 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	AEQUITY 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
The Special Squad UG*	100.00
PantaSounds GmbH, Munich	57.50

\*Wholly-owned subsidiary of PANTALEON Films GmbH

In the first half of 2018, PANTAFLIX AG sold 15% of the shares in PantaSounds GmbH.

**Associated companies not included in the consolidated financial statements:** Creative Cosmos 15 GmbH, Munich, share of capital: 40.50%

The associated company is recognised and measured as an equity investment in financial assets. As it is not significant, it was not consolidated according to the equity method (section 311 (2) HGB).

### Consolidation policies

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 according to 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 and decreases in interests in subsidiaries, without the previous status being lost, are deemed capital transactions and are recognised directly in equity (capital reserves).

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.

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

### III. ACCOUNTING POLICIES

The accounting policies applied to the PANTAFLIX Group's interim consolidated financial statements are the same as the policies described in the consolidated financial statements as at 31 December 2017. The interim consolidated financial statements as at 30 June 2018 are therefore to be read in conjunction with the consolidated financial statements as at 31 December 2017

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

Intangible assets comprise advance payments for internally generated industrial property rights and similar rights of EUR 8,123 thousand. They include as yet uncompleted films. These are capitalised at cost. In particular, cost includes the individually attributable costs of the use of goods and services. The increase of EUR 6,726 thousand is based on capitalised costs of film projects.

The change in inventories from EUR 10,784 thousand to EUR 4,486 thousand is partly the result of the completion and sale of commissioned productions.

Trade receivables declined on account of the reporting date. As in the previous year, all receivables and other assets are due within one year.

Other provisions relate mainly to outstanding invoices. The costs of preparing financial statements and personnel provisions are also recognised.

Similarly, liabilities to banks declined by EUR 2,014 thousand due to project completions.

Payments received on account of orders increased by EUR 2,224 thousand in total, due to film and series productions.

Other liabilities decreased by EUR 1,990 thousand because of the reporting date, due in particular to reduced VAT liabilities.

Deferred tax assets on loss carryforwards were not recognised, as the criteria for recognition pursuant to section 306 HGB were not met as at 30 June 2018 on account of the loss carryforwards being unusable. The deferred tax liabilities (EUR 546 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 inventory changes of EUR 6,270 thousand and the increase in the cost of materials of EUR 3,451 thousand result from the completion of commissioned productions in progress.

The increased personnel expenses of EUR 1,051 thousand and the rise in other operating expenses from EUR 1,584 thousand to EUR 3,418 thousand resulted partly from the increase in the workforce and raised awareness due to marketing activities.

The depreciation and amortisation in the same period of the previous year and a decline of EUR 9,009 thousand are due in particular to the completion and marketing of film projects in the comparative period of the previous year.

### VI. OTHER DISCLOSURES

#### Management Board

STEFAN LANGEFELD  
(Businessman, Munich, Chairman since 22 April 2018)  
NICOLAS SEBASTIAN PAALZOW  
(Businessman, Munich)  
DAN MAAG  
(Businessman, Munich, Chairman until 22 April 2018)

#### Supervisory Board

MARCUS BORIS MACHURA  
(Lawyer, Chairman of the Supervisory Board)  
MARC SCHÖNBERGER  
(Lawyer, Deputy Chairman of the Supervisory Board)  
MATHIS SCHULTZ  
(Fund manager, until 31 August 2018)  
EERIK BUDARZ  
(Fund manager, since 20 September 2018)

### VII. SUPPLEMENTARY REPORT

A capital increase from reserves in accordance with section 207 et seq. AktG was resolved at the Annual General Meeting of PANTAFLIX AG on 25 July 2018. The share capital will be increased from EUR 1,270,500 to EUR 13,975,500 by converting capital reserves into share capital. The capital increase will be performed by issuing 12,705,000 new shares with a notional interest in the share capital of EUR 1.00 per share. The new shares are allocated to the shareholders at a ratio of 1:10.

Munich, 21 September 2018  
The Management Board



Stefan Langefeld



Nicolas Sebastian Paalzow

## FINANCIAL CALENDAR 2018

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10 October 2018  
Roadshow, Paris

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11 October 2018  
Roadshow, Helsinki

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19 October 2018  
Roadshow, Frankfurt

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27 November 2018  
German Equity Forum, Frankfurt/Main

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30 November 2018  
Meet the Future Investor Days, Berlin

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## NOTE ON LIABILITY



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[www.pantaflixgroup.com](http://www.pantaflixgroup.com)

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