CONSTANTIN
MEDIEN AG

Q2

Interim Financial Report 2018

Content

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Key Figures

in EUR million

	6/30/2018	12/31/2017
Balance sheet total	**98.6**	175.1
Subscribed capital	**93.6**	93.6
Equity	**59.4**	62.9
Equity ratio (in percent)	**60.3%**	35.9%
Net liquidity/net debt	**21.1**	-43.0
	1/1 to 6/30/2018	1/1 to 6/30/2017
Sales	**60.5**	200.3
Sports	**60.5**	75.6
Film*	**–**	100.3
Sports- and Event-Marketing*	**–**	24.4
Loss/profit from operations (EBIT)	**-4.8**	43.3
Net loss/profit	**-6.4**	36.4
Earnings attributable to shareholders	**-6.4**	34.8
Cash flow for/from operating activities	**-4.9**	15.0
Cash flow from/for investing activities	**69.2**	-119.4
Cash flow for/from financing activities	**-64.0**	17.5
	6/30/2018	12/31/2017
Shares outstanding in million	**93.6**	93.6
Share price in EUR	**2.12**	2.30
Market capitalization (based on shares outstanding)	**198.4**	215.3
	1/1 to 6/30/2018	1/1 to 6/30/2017
Average number of shares outstanding (basic) in million	**93.6**	93.6
Earnings per share (basic) in EUR	**-0.07**	0.37
Earnings per share (diluted) in EUR	**-0.07**	0.37
Employees including freelance employees (at closing)	**545**	574

* The prior period covers the period from 1/1 to 6/12/2017

Interim Group Management Report

Constantin Medien AG is an internationally operating media company based in Ismaning near Munich. The business operations include the Sports Segment with its subsidiaries Sport1 GmbH, Sport1 Media GmbH, Magic Sports Media GmbH, PLAZAMEDIA GmbH and LEITMOTIF Creators GmbH. Until June 12, 2017, its portfolio also encompassed the Film and Sports- and Event-Marketing Segments, through the majority holding in Highlight Communications AG, Pratteln/Switzerland.

1. Financial performance indicators

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

2. Business performance in the first half of 2018

2.1 Overall economic conditions in the first half of 2018

- In the H1 2018, the global economy enjoyed an overall positive development in line with the expectations of the International Monetary Fund (IMF) from April this year.

- The German economy continues to grow: The gross domestic product (GDP) in Q2 2018 was up 0.5 percent on the previous quarter, which had shown a slightly smaller increase of 0.4 percent. Compared with the previous year, the GDP in Q2 rose 2.3 percent in real terms.

- Positive domestic impetus compared with the previous quarter came from both higher consumer spending by private households and from the state, while investments in equipment, construction and other assets also grew. In foreign trade, imports rose more than exports.

  Sources: International Monetary Fund (IMF), World Economic Outlook, Update July 2018; Federal Statistical Office of Germany (Destatis), press release on August 14, 2018.

2.2 Sector-specific general conditions, operating performance and analysis of non-financial performance indicators of the segments

2.2.1 Sector-specific general conditions in the Segment Sports

- According to the information and media company Nielsen Media Research, in the H1 2018 the German gross advertising market reached a total of EUR 14.9 billion – a rise of 0.6 percent compared with the same period in 2017.

- Advertising on mobile devices continued to see the strongest growth with an increase of 68 percent year-on-year (total volume H1 2018: EUR 0.441 billion). The media group radio grew 2.9 percent to EUR 0.93 billion; at-retail grew 9.9 percent to EUR 0.102 billion; posters grew 1.4 percent to EUR 0.707 billion; and newspapers grew 0.9 percent to EUR 2.4 billion gross expenditure in the comparison period.

- In the H1 2018, TV reached approx. EUR 7.0 billion gross expenditure, a fall of 0.1 percent compared to the H1 2017. With a total volume of EUR 1.2 billion in the H1 2018, the media group desktop recorded negative growth of 5.0 percent year-on-year; movie theater advertising fell by -13.2 percent; consumer magazines with a minus of 2.9 percent (H1 2018: EUR 1.6 billion in total); and specialist magazines dropped by -5.1 percent (EUR 0.2 billion).

  Sources: Nielsen Media Research GmbH, Nielsen press department "Gesamtwerbemarkt verzeichnet im 1. Halbjahr 2018 ein Plus von 0,6 Prozent gegenüber Vorjahr", July 19, 2018.

- In the production segment, major sports events continue to provide optimum opportunities for the use of new technologies. The trend in the international sports market is increasingly heading toward shorter, action-packed forms of popular sports, adapted to the changed usage habits and shorter attention spans of the end customers – and this also offers new possibilities in production.

- At this year's NAB Show in Las Vegas, key trends – apart from 4K or 8K, HDR, AR, VR and eSports – included IP and cloud services, accompanied by significantly higher investments by broadcasters and production companies in the corresponding technology.

- Another development in the production market is the personalization of workflows with the help of AI (artificial intelligence), to design work processes that are flexible, cost-effective and continually expandable.

Sources: film-tv-video.de, „EVS: Synonym für Live-Produktion", March 8, 2018; ibc.com, „Making sports more TV friendly", May 22, 2018; newscaststudio.com, „NAB Show: The changes and trends driving this year's conversation", April 5, 2018.

2.2.2 Operating performance in the Segment Sports

- In the H1 expansion of program portfolio for the SPORT1 platforms, among others, with the following rights: Soccer with live and highlight rights to the DFB-Pokal (DFB Cup) as of the 2019/2020 season until and including the 2021/2022 season, UEFA Youth League until 2020/21 and Finals of the UEFA Women's Champions League until 2018/19, highlights of the 2nd German Soccer Bundesliga on Friday and Sunday nights as of the start of the second half of the 2017/18 season, highlight clips of all games of the 2018 FIFA World Cup™, UEFA European Under-17 Championship 2018, Motorsports with FIA WEC, FIA Formula 2, Porsche Carrera Cup and new „Porsche GT Magazin", Volleyball with Women's and Men's German Bundesliga from 2018/2019 until 2020/2021 as well as Nations League 2018, American Football with German Football League (GFL), Ice Hockey with NHL Global Series Challenge 2018, Handball with international games of the German national teams, Hockey with Indoor Hockey World Cup 2018 and German Championship 2018 as well as esports with EA SPORTS™ FIFA 18 Global Series, TAG Heuer Virtual Bundesliga, ESL Spring Championship 2018 and ESL One Dota 2. Furthermore, SPORT1 continues its successful format „Die PS PROFIS – Im Einsatz" with the second season which started in June.

- Important milestones within the 360° strategy: In January, SPORT1 launches its new video platform, which since then centrally pools the entire video and VoD offer. Ahead of the Soccer World Cup, the customizable soccer app "iM Football" was relaunched. Social media engagement intensified: Since March, 2018, SPORT1 bundles its activities on external platforms in the newly established unit New Platforms. In the social media area, SPORT1 reaches over 5 million fans on Facebook, Instagram, Twitter, YouTube i.a.

- In the marketing area, SPORT1 MEDIA acquired as advertising customers in the H1 2018, amongst others, Zurich Versicherung and Toyota on the occasion of the Olympic Winter Games, ŠKODA, Betway und Campingaz for the Ice Hockey World Championship, as well as partners such as CHECK24, LG Electronics, bwin and Tipico for the 2018 FIFA World Cup™. Moreover, SPORT1 presented the news format „WM Aktuell" within the framework of a location partnership with Telefónica Deutschland live from the O_2 Tower in Munich.

- In June, PLAZAMEDIA commissioned Europe's most modern, IP based broadcast center in Ismaning.

- In the H1 2018, PLAZAMEDIA realized the studio production of "Gesundheitsshow" including further production services for Bayerischer Rundfunk in addition to the regularly recorded personality show "Ringlstetter".

- Comprehensive serial production services were provided in the context of the UEFA Champions League, the UEFA Europa League, the Bundesliga and 2nd Bundesliga as well as the 2018 FIFA World Cup™ for ZDF and SPORT1. Furthermore, PLAZAMEDIA took over deployment and operation of the technical infrastructure and production services for DAZN and the sports radio of Amazon Music, produced the soccer international game Japan against Paraguay for Nippon TV und completed content digitization and building-up of an archive for DKB Handball-Bundesliga.

- Moreover, PLAZAMEDIA was responsible in the H1 2018 for the realization of numerous events of renowned customers in the event location "ziegelei101".

2.2.3 Analysis of non-financial performance indicators in the Segment Sports

- Free-TV market shares in the target group of viewers overall (Z3+) and in the new core target group of men aged 14 to 59 years (M14-59) were expectedly below the level of the same period last year, mainly due to the omission of Bundesliga and 2nd Bundesliga rights on Monday nights.

– Ratings highlights in free-TV in the first six months 2018 were particularly the World Darts Championship final on January 1 with a new record viewership, the knock-out games of Dortmund and Leipzig in the UEFA Europa League, the Ice Hockey World Championship in May and Bundesliga formats such as “Der CHECK24 Doppelpass”, which boosted its season average to one million viewers (Z3+).

SPORT1 I Free-TV in % (Ø/reporting period)

	H1 2018	H1 2017	Change
Market share/Z3+	**0.8**	1.0	-20%
Market share/M14-59	**1.3**	1.6	-19%

Source: AGF Videoforschung in co-operation with GfK, videoSCOPE 1.1, January 1 to June 30, 2017/2018, Market standard: TV.

– Pay-TV distribution continues at a high level as of June 30, 2018, reaching a total of 2.10 million SPORT1+ subscribers (June 30, 2017: 2.11 million) and 1.50 million SPORT1 US subscribers (June 30, 2017: 1.49 million). Not included in the amount of subscribers in 2017 are those reached via Sky. In the meantime, the distribution of both channels via Sky was terminated: SPORT1+ is not longer transmitted via Sky since mid-2018 and SPORT1 US since mid-2017.

– In comparison to the H1 2017, visits have increased in the reporting period, while page impressions (PIs) slightly decreased in the mobile area. This overall stable coverage was content-related especially triggered by reporting on international and national soccer competitions, the Ice Hockey World Championship, Formula 1 or the tennis Grand Slam tournaments as well as product-related the continued further development and optimization of SPORT1 mobile offers.

SPORT1 I Mobile in million (Ø/reporting period)

	H1 2018	H1 2017	Change
Page Impressions/PIs	**652.4**	682.2	-4%
Visits	**69.8**	65.1	+7%

Source: IVW (Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern e.V., German Information Association for the Ascertainment of Distribution of Advertising Media e.V.), January 1 to June 30, 2017/2018; Mobile incl. MEW, SPORT1 News App, Video App, iM Football App, Darts App and SPORT1.fm App.

– In the online area, a slight increase of PIs and a decrease of visits was recorded in the H1 2018 compared to the previous year’s period. The latter development continues to be influenced by the ongoing shift in content use from online to mobile.

SPORT1 I Online in million (Ø/reporting period)

	H1 2018	H1 2017	Change
Page Impressions/PIs	**97.1**	96.8	+0,3%
Visits	**14.6**	17.2	-15%

Source: IVW (Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern e.V., German Information Association for the Ascertainment of Distribution of Advertising Media e.V.), January 1 to June 30, 2017/2018; Online incl. SPORT1.de; tv.sport1.de; video.sport1.de, bundesligamanager.sport1.de and SPORT1.fm.

– Video views on the SPORT1 platforms and the SPORT1 YouTube channels developed positively in the H1 2018. The reason for that is mainly the implementation of an internal video unit in order to execute the video strategy even more effectively.

– Video views on the SPORT1 YouTube channels increased by 142 percent in the reporting period compared to the H1 2017, in particular due to the further optimization of internal structures and processes as well as the expansion of the video and livestream offer on YouTube to reach new user groups.

– Video views on the SPORT1 platforms (including livestream, excluding YouTube) increased as well in the H1 2018 compared to same period last year, positively influenced by the launch of the new video platform in January and new high-quality video rights.

SPORT1 I Video in million (Ø/reporting period)

	H1 2018	H1 2017	Change
Video Views			
SPORT1 platforms including livestream, without YouTube	**13.3**	10.0	–*
Video Views			
SPORT1 YouTube channels only	**16.1**	6.7	+140%

Sources: Video views SPORT1 platforms excluding YouTube: DoubleClick, January 1 to June 30, 2017/2018; Content Network Glomex and e-Player DAZN, since February 2018; Livestream: DoubleClick, January 1 to June 30, 2017/2018; YouTube Content Management System, January 1 to June 30, 2017/2018.

*Since February 2018, data of the Content Network Glomex and the DAZN e-Player is integrated in the SPORT1 platforms as new sources. A direct comparison with the previous year's period is therefore not possible.

2.2.4 Legal activities

– On March 16, the special representative of Constantin Medien AG filed a lawsuit with Munich Regional Court I in order to claim damages for the Company against former Chairman of the Supervisory Board Dr Dieter Hahn and companies KF 15 GmbH and DHV GmbH controlled by him because of violation of duties in connection with former Annual General Meetings (AGM) of Constantin Medien AG.

  The background to this is the resolution of the Company's AGM of August 23, 2017 as per § 147 section 1 clause 1 AktG (German Stock Corporation Act) to examine and claim damages due to violation of duties in connection with the Company's AGMs of July 6, 2016 and November 9/10, 2016. In order to examine and enforce the claims, the AGM of August 23, 2017 voted to appoint a special representative as per § 147 section 2 clause 1 AktG. Subject of the application is the assertion of claims for damages with a preliminary amount in dispute of at least EUR 1.0 million.

– On April 27, Constantin Medien AG filed four further lawsuits with Munich Regional Court I in order to enforce its claims against the company KF 15 GmbH controlled by Dr Dieter Hahn, the law office of the former Supervisory Board Member Dr Bernd Kuhn (Kuhn Rechtsanwälte) and the chairman of the Annual General Meetings (AGMs) of July 6, 2016 and November 9/10, 2016, Franz Enderle.

  The subject of the suits against KF 15 GmbH is, on the one hand, the company's repayment claims of approx. EUR 2.05 million due to unjust enrichment because of incorrect accounting with regards to the profit sharing agreement of the Formula 1 prosecuting group. On the other hand, Constantin Medien AG is also filing a further suit for accounting against KF 15 GmbH, as the latter has so far failed, despite corresponding requests, to provide proof of approx. EUR 3.45 million worth of costs for the prosecution in the Formula 1 lawsuit, that were alleged in its favor and reported in the settlement by KF 15 GmbH. In the case of Kuhn Rechtsanwälte, the claim is an action for payment due to unjust enrichment in the amount of approx. EUR 657,000 based on wrongfully charged legal fees. The suit against Franz Enderle is with regard to breach of duties by Franz Enderle in his role as chairman of the two AGMs in 2016. The damages are also subject of a damage suit filed by the special representative, appointed by the AGM of the company, against the former Chairman of the Supervisory Board, Dr Dieter Hahn, and the companies KF 15 GmbH and DHV GmbH controlled by him.

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

2.3.1 Overall assessment of the reporting period

- Due to the deconsolidation of Highlight Communications AG as of June 12, 2017, the Constantin Medien Group's 2018 half-year figures no longer include figures of the Highlight Communications group compared to the prior-year period.

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

- Group sales in the first half-year of 2018 amounted to EUR 60.5 million (6M 2017: EUR 200.3 million). The 69.8 percent decline in sales is primarily due to the deconsolidation of Highlight Communications AG as of June 12, 2017 and the operating business development in the Sports Segment, which was mainly influenced by the loss of sales from the production framework agreement between PLAZAMEDIA GmbH and Sky Deutschland Fernsehen GmbH & Co. KG that ended on June 30, 2017.

- The significant decline in EBIT, consolidated net profit and earnings attributable to shareholders results primarily from the non-recurring effect of the EUR 38.3 million gain from the deconsolidation of Highlight Communications AG, which was recognized in other operating income in the prior-year period. Furthermore, the lack of earnings contributions from the Film Segment as well as Sports- and Event-Marketing Segment due to the deconsolidation and the lower sales in the Sports Segment, in particular due to the loss of sales from the production framework agreement between PLAZAMEDIA GmbH and Sky Deutschland Fernsehen GmbH & Co. KG that ended on June 30, 2017, affected the half-year result. In addition, the previous year's operating result included a positive net effect of EUR 0.9 million from the Formula 1 settlement.

- Profit from operations (EBIT) fell to EUR -4.8 million (6M 2017: EUR 43.3 million), consolidated net profit for the period deteriorated by EUR 42.8 million to EUR -6.4 million (6M 2017: EUR 36.4 million), and earnings attributable to shareholders amounted to EUR -6.4 million (6M 2017: EUR 34.8 million). The decrease in personnel expenses by EUR 0.7 million at Constantin Medien AG contributed to the corresponding improvement in the operating result. The increase of EUR 0.3 million in legal and consulting costs at the holding company compared with the prior-year period had an opposite effect.

- The financial result improved significantly in the first six months of 2018 by EUR 5.1 million year-on-year to EUR -0.5 million (6M 2017: EUR -5.6 million). After complete repayment of the corporate bond 2013/2018 including interest in the amount of EUR 69.55 million on April 23, 2018, the Constantin Medien Group is debt-free on the balance sheet. In future, it is to be expected that the financial result will no longer be burdened by financing costs. Rather, under the given conditions, a positive financial result is expected from 2019.

- The tax result in the first half-year of 2018 amounted to EUR -1.1 million. This was mainly due to the non-recurring release of deferred tax assets on loss carryforwards, that were derecognized in the first quarter of 2018 after the completion of the takeover offer of Highlight Communications AG and Studhalter Investment AG (EUR 0.6 million) due to the change of control at Constantin Medien AG.

- In the second quarter of 2018, earnings attributable to shareholders improved significantly to EUR -1.6 million compared with earnings attributable to shareholders of EUR -4.8 million in the first quarter of 2018. Based on the forecast, a positive development is expected for the second half-year of 2018 compared to the first half-year of 2018.

2.3.2 Segment performance

Segment performance January 1 to June 30, 2018 in EUR ‘000

	1/1 to 6/30/2018	1/1 to 6/30/2017	Change
Sales			
Sports	**60,521**	75,581	-15,060
Film*	**–**	100,320	-100,320
Sports- and Event-Marketing*	**–**	24,369	-24,369
Others	**0**	0	0
Total sales	**60,521**	200,270	-139,749
Segment result			
Sports	**-2,087**	1,930	-4,017
Film*	**–**	-3,859	3,859
Sports- and Event-Marketing*	**–**	9,610	-9,610
Others	**-2,739**	35,621	-38,360
Total segment result	**-4,826**	43,302	-48,128

*Covers the period from 1/1 to 6/12/2017

Segment Sports

– Sales of EUR 60.5 million in the first six months of 2018 below the previous year's level (6M 2017: EUR 75.6 million), in particular due to the ended production framework agreement between PLAZAMEDIA and Sky.

– Sales slightly below expectations due to lower TV advertising revenues.

– Free TV market shares in the core target group of men aged 14 to 59 in the first half-year of 2018 at 1.3 percent below the previous year's level as expected (6M 2017: 1.6 percent) due to the Winter Olympic Games and the 2018 World Cup.

– Traffic figures in the online/mobile area as well as video views overall exceeded the previous year's level, but below ambitious expectations.

– Segment result in the first half-year of 2018 at EUR -2.1 million (6M 2017: EUR 1.9 million), mainly due to lower sales and EBIT due to the loss of sales from the production framework agreement between PLAZAMEDIA GmbH and Sky Deutschland Fernsehen GmbH & Co. KG which ended June 30, 2017, and higher license expenses.

Others

– The six-month operating result of the holding company Constantin Medien AG was EUR -2.7 million (6M 2017: EUR 35.6 million).

– The prior-year period includes the non-recurring gain of EUR 38.3 million from the deconsolidation of Highlight Communications AG.

– Constantin Medien AG's operating result was below expectations due to higher costs for legal advice.

– Adjusted for the non-recurring deconsolidation profit, the net profit of the holding company Constantin Medien AG improved by EUR 2.0 million compared to the prior-year period.

2.3.3 Sales and earnings development of the Constantin Medien Group

The earnings position of the Constantin Medien Group in the prior-year period was mainly affected by the deconsolidation of Highlight Communications AG as of June 12, 2017. This explains the major differences in all items of the statement of profit or loss. In addition to the effects of the discontinuation of the earnings contributions of the Highlight Communications group, the following developments should be highlighted in detail in addition to the development of sales described in section 2.3.2:

- The significant decline in other operating income is partly due to the fact that the previous year's period included income of EUR 10.1 million from the so-called Formula 1 settlement.

- The reduction in personnel expenses is due on the one hand to the lower number of employees and on the other hand to the reduction of the Management Board from three to two members.

- Other operating expenses decreased, among other things, as the prior-year period included expenses of EUR 9.2 million for the management services of the Formula 1 proceedings by KF 15 GmbH.

- The financial result improved significantly in the reporting period by EUR 5.1 million to EUR -0.5 million (6M 2017: EUR -5.6 million). On the one hand due to the dividend of EUR 1.1 million paid out by Highlight Communications AG in June 2018 and on the other hand due to the elimination of the interest expense for the corporate bond 2013/2018 and the Stella loan in the amount of EUR 2.7 million.

- The tax result in the first half-year of 2018 was burdened by a non-recurring charge of EUR 0.6 million due to the reversal of deferred tax assets on loss carryforwards. Due to the successful takeover offer by Highlight Communications AG and Studhalter Investment AG and the associated change of control at Constantin Medien AG, the tax loss carryforwards were completely derecognized in the first quarter 2018.

2.3.4 Net assets of the Constantin Medien Group

Consolidated statement of financial position (abbreviated version) as of June 30, 2018 in EUR '000

	6/30/2018	12/31/2017	Change
Non-current assets	**52,595**	120,329	-67,734
Current assets	**45,993**	54,770	-8,777
Total assets	**98,588**	175,099	-76,511

- The decrease in other non-current financial assets by EUR 71.6 million is due to the sales of Highlight Communications AG shares on March 22, 2018 and April 19, 2018. 12,417,482 Highlight Communications AG shares were sold to Highlight Event and Entertainment AG on March 22, 2018, at a price of EUR 5.20 per share with a total value of EUR 64.57 million. On April 19, 2018, a further 2 million Highlight Communications AG shares with a total value of EUR 10.4 million were sold over-the-counter at a price of EUR 5.20 per share.

- The increase in property, plant and equipment by EUR 2.9 million is mainly due to investments in the new broadcasting center at PLAZAMEDIA GmbH.

- Current assets decreased by EUR 8.8 million to EUR 46.0 million as of June 30, 2018 (December 31, 2017: EUR 54.8 million), primarily due to the decrease in trade accounts receivable and other receivables as of the reporting date.

2.3.5 Financial position of the Constantin Medien Group

Consolidated statement of financial position (abbreviated version) as of June 30, 2018 in EUR '000

	6/30/2018	12/31/2017	Change
Equity attributable to the shareholders	**59,420**	62,884	-3,464
Non-controlling interests	**0**	0	0
Total equity	**59,420**	62,884	-3,464
Non-current liabilities	**2,286**	929	1,357
Current liabilities	**36,882**	111,286	-74,404
Total equity and liabilities	**98,588**	175,099	-76,511

– The principles of Group financing and the financial risks of the Group correspond to those of the 2017 financial year (see Annual Report 2017, Combined Group Management Report and Management Report, chapter 2.4.5) except for liquidity risk (see information in chapter 3 of this half-year interim financial report).

– The Constantin Medien Group's equity as of June 30, 2018 decreased by EUR 3.5 million to EUR 59.4 million (December 31, 2017: EUR 62.9 million) earnings-related by EUR 6.4 million. The valuation gains of the Highlight Communications AG shares of EUR 3.0 million had an opposite effect.

– The equity ratio (total equity in relation to total assets) was 60.3 percent as of June 30, 2018, after 35.9 percent as of December 31, 2017. The increase in the equity ratio is attributable to the sharp reduction of current liabilities (EUR -74.4 million).

– The reduction of current liabilities is due to the timely and complete repayment of the corporate bond on April 23, 2018 (EUR 63.9 million) and the decrease in trade accounts payable and other liabilities (EUR 10.7 million) as of the reporting date.

2.3.6 Liquidity development of the Constantin Medien Group

– The Constantin Medien Group generated a negative cash flow from operating activities of EUR 4.9 million in the first six months of 2018 (6M 2017: EUR 15.0 million positive cash flow). This includes the last interest payment for the 2013/2018 corporate bond in the amount of EUR 4.55 million, which was made from current liquidity. The decrease in cash flow from operating activities is mainly due to the change in net current operating assets.

– Investing activities resulted in a cash inflow of EUR 69.2 million (6M 2017: cash outflow of EUR 119.4 million) due to the receipt of payment from the sale of Highlight Communications AG shares totaling EUR 75.0 million. The prior-year period was characterized by payments for film assets (cash outflow EUR 57.1 million) and the disposal of cash and cash equivalents due to the deconsolidation of Highlight Communications AG (cash outflow EUR 60.3 million).

– Net cash used in financing activities amounted to EUR 64.0 million (6M 2017: net cash provided EUR 17.5 million). This change resulted from the full repayment of the 2013/2018 corporate bond on April 23, 2018.

– In total, there was a positive cash flow of EUR 0.3 million in the first six months of 2018 (6M 2017: EUR 86.9 million negative cash flow).

– After the repayment of the 2013/2018 corporate bond and the cash inflow from the sale of the Highlight Communications AG shares, the Constantin Medien Group again has a net liquidity instead of net debt as of June 30, 2018 after several years.

Net liquidity/net debt as of June 30, 2018 in EUR '000

	6/30/2018	12/31/2017	Change
Cash and cash equivalents	**21,119**	20,845	274
Current financial liabilities	**0**	63,870	-63,870
Non-current financial liabilities	**0**	0	0
Net liquidity/net debt	**21,119**	-43,025	64,144

3. Risk and opportunities report

3.1. Risk management

For a detailed description of the risk management system and the risk and opportunity profile see chapter 7.2.1 and 7.3.1 in the Combined Group Management Report and Management Report of Constantin Medien AG's Annual Report 2017.

Detailed information on the individual risks and opportunities of Constantin Medien AG in chapter 7.2.2 and 7.3.2 and a description of the internal control and risk management system related to the Group accounting process in chapter 7.5 of the Combined Group Management Report and Management Report of Constantin Medien AG's Annual Report 2017.

3.2 Material changes in the risks and opportunities in the reporting period

Changes compared to the risks and opportunities described in the Combined Group Management Report and Management Report of Constantin Medien AG's Annual Report 2017 in the reporting period:

– **Legal risks – Action for annulment against resolutions of the Annual General Meeting on May 8, 2018**
  A shareholder of Constantin Medien AG has filed an action for annulment against various resolutions of the Annual General Meeting on May 8, 2018. This affects the resolutions of agenda items 3, 4, 8, 10 and 11. The main reasons for the action for annulment are allegations that business documents have not been displayed, that the right to speak and participate has been denied and that there has been a breach of the duty to provide information. The possible effect of the action for annulment is that the corresponding resolutions against which the action is directed could be null and void. Based on the measures taken and the Management Board's assessment, this risk is classified as medium.

– **Legal risks - Use of the Constantin brand**
  Due to the withdrawal of the action brought by Constantin Film Produktion GmbH, this risk no longer exists. The further use of the name Constantin Medien AG is thus no longer at risk.

– **Liquidity risks**
  Constantin Medien AG has sold 2 million shares of Highlight Communications AG over-the-counter on April 19, 2018. The purchase price per share was set at EUR 5.20 and was within the valuation range of a valuation report prepared by a renowned corporate finance consulting firm. The proceeds respectively inflow of liquidity thus amounted to EUR 10.4 million. As a result, Constantin Medien AG secures the Company's ongoing financings, including in particular the liquidity risks mentioned in the 2017 Annual Report. Following the sale, the company holds a further 6,182,518 shares in Highlight Communications AG, is debt-free in its balance sheet after repayment of the bond and has enough free liquidity reserves in the future. Overall, the liquidity risk is now classified at the small level (previously going concern risk within the meaning of section 322 (2) sentence 3 HGB in accordance with the independent auditor's report for the 2017 annual financial statements).

4. Outlook

4.1 Economic environment

– In mid-2018 the global economy was still growing, but in its "World Economic Outlook" from July 2018, the International Monetary Fund (IMF) rated the downside risks as considerably more acute than just a few months prior. It did, however, still assume global growth of 3.9 percent for both 2018 and 2019. The USA is expected to step up its recent economic momentum, with 2.9 percent growth in 2018 and 2.7 percent in 2019.

– For the Euro zone countries, on the other hand, the IMF lowered its projections slightly, forecasting a 2.2 percent increase for 2018 and 1.9 percent for 2019. This represents a downward revision of 0.2 percentage points for 2018 and 0.1 percentage points for 2019 compared with the April outlook.

– For the German economy in 2018 the IMF expects 2.2 percent growth – average for the Euro zone. This may turn out to be somewhat less than was still expected in the spring, after activity in Germany slowed down further than anticipated in Q1. For 2019 the IMF has slightly raised its outlook for Germany to 2.1 percent.

Source: International Monetary Fund (IMF), World Economic Outlook, Update for July 2018.

4.2 Sector-specific general conditions

– The global media agency Zenith forecasts worldwide growth in advertising investment of 4.6 percent in 2018 compared with 2017.

– For the German advertising market, Zenith expects a 2.3 percent increase in 2018 year-on-year. According to its forecast, the online share of advertising investment will be 36.1 percent in 2018, rising to 40 percent by 2020.

– According to Zenith, brands are adjusting their budgets as they focus more on the consumer. The use of powerful algorithms, AI and machine learning as well as investment in e-commerce solutions are producing a transformation that is leading to increased investment in digital communication.

– In its spring forecast on the 2018 advertising market, VAUNET – Verband Privater Medien e.V., the umbrella organization of private audiovisual media in Germany, trading until May 2018 as VPRT (Association of Private Broadcasters), expected advertising revenues totalling EUR 6 billion for audio and audiovisual media in Germany.

– Net TV advertising revenues in Germany, according to the VAUNET forecast, will grow by between 1.0 percent and 1.5 percent to around EUR 4.7 billion in 2018 (2017: EUR 4.6 billion, +0.7 percent). The advertising market share of TV advertising is expected to reach approx. 31 percent (2017: 30 percent). For the net advertising revenues from instream video advertising, VAUNET expects growth of between 15 percent and 20 percent to approx. EUR 0.6 billion (2017: EUR 0.5 billion, +21.2 percent). Total revenues from moving image advertising are expected to go up by between 2.3 percent and 3.3 percent (2017: +2.3 percent) to EUR 5.2 billion, their highest level to date.

– VAUNET forecasts especially for non-linear and interactive audio and audiovisual media offerings over the next five years a high level of dynamic innovation and a double-digit percentage growth in advertising revenues. Linear offerings are expected to continue their stable positive development and moderate growth. At the same time, the next few years should see very high competitive dynamics with progressive fragmentation and increasing convergence of product and advertising types. Data-driven business models for audio and audiovisual media, for example programmatic or addressable advertising, will continue to gain in importance, according to VAUNET, even though the impact of the EU's GDPR and ePrivacy Regulation on this market cannot yet be foreseen.

Sources: Press release Zenithmedia "Unternehmen investieren mehr in digitale Werbung", March 26, 2018; VAUNET – Verband Privater Medien, "VPRT-Frühjahrsprognose zum Werbemarkt 2018: Audio- und audiovisuelle Medien erreichen 6 Milliarden Euro Werbeumsätze in Deutschland", May 17, 2018.

- In its market analysis of pay TV, VAUNET – Verband Privater Medien e.V. forecasts sales growth of pay-TV and paid-VoD offerings in the German-speaking region of between 8 percent and 10 percent to approx. EUR 3.8 billion in 2018. The number of pay-TV subscribers in Germany, Austria and Switzerland is predicted to rise from 8.7 million in 2017 to around 9 million in 2018.

  Source: VAUNET – Verband Privater Medien e.V., press release on the study "Marktanalyse Pay-TV in Deutschland 2018", July 25, 2018.

- In the field of broadcasting, AI and IP-based production concepts offer a variety of possibilities for simplifying production processes. In sports they could enable the economical production of smaller leagues and niche sports in future, thanks to automated workflows, making more sporting events accessible to a wider audience. In the cloud segment, acceptance of data migration to internet-based storage solutions continues to grow internationally, with two-thirds of all companies and 79 percent of IT and telecoms businesses already using cloud services, and further growth expected. AR and VR remain key trend topics in the market. According to a study by SPLENDID RESEARCH, almost 60 percent of Germans have already tried AR applications.

  Sources: film-tv-video.de, "EVS: Synonym für Live-Produktion", March 8, 2018; it-daily.net, "Cloud Computing 2018 – die Cloud aus Unternehmenssicht", May 11, 2018; splendid-research.com, "Mehrheit der Deutschen nutzt Augmented Reality", 2018.

- In high-resolution technologies, prices of 4K-capable devices are progressively falling. This is leading to greater market penetration, with over half the TVs supplied to western Europe already 4K-capable. Leading the field in 4K content production are still OTT providers such as Netflix or Amazon Prime. 8K productions too are already being realized: Japan Broadcasting Corporation NHK trialed the technology for the Winter Olympics and the Soccer World Cup and has announced the launch of a corresponding channel for December 2018. In Germany, on the other hand, the majority of end consumers are sticking with HD.

  Sources: ibc.org, "UHD and HDR in the frame at NAB 2018", April 12, 2018; ibc.org, "What will be big at NAB 2018?", March 27, 2018; engadget.com, "Make the jump to 4K and HDR in 2018", December 31, 2017; ultra-hdtv.net, "8K-TVs: Umstieg wohl schneller als gedacht", July 8, 2018; broadbandtvnews.com, "NHK to launch 8K channel in December 2018", October 18, 2017; newscaststudio.com, "NAB Show: The changes and trends driving this year's conversation", April 5, 2018.

4.3 Priorities

Segment Sports

- In the 2018 financial year, SPORT1 continues to focus on consistent multimedia content use, distribution and capitalization. Also in the future, the strengthening of its portfolio by acquiring attractive new rights, extending existing partnerships and developing new content co-operations and business areas, as well as exploiting and staging established program pillars across platforms are focal points. This includes soccer – especially with the Bundesliga and 2nd Bundesliga – ice hockey, motorsports, boxing, basketball, volleyball, darts and US sports.

- Against the background of the massively increasing digital and cross-platform use of media offers, in the 2018 financial year, Sport1 GmbH will further drive the digital diversification of the SPORT1 brand and at the same time create new content and marketing environments, such as with regard to Addressable TV. Priorities include the development of new mobile offers, the intensification of social media activities and the expansion of the video area via own apps, own video brand channels or the use of new social media video offers. In addition, the activities primarily include own offers and formats in the eSports area, which is growing rapidly in Germany as well.

- At PLAZAMEDIA, the compensation of the discontinued production framework agreement with Sky is the crucial challenge. Furthermore, the focus in 2018 continues to lie on the implementation of extensive and complex live sports productions and non-live formats, the development and further advancement of innovative production technologies, content management solutions and production technology content distribution. In the context of expanding the PLAZAMEDIA portfolio, priorities in the 2018 financial year will be alongside the traditional broadcasting activities, particularly the further advancement and the development of new digital production activities, products and services – in view of the increasing fragmentation of media distribution channels, e.g. specific OTT or OVP solutions. In this area, sales partnerships with various renowned partners are opening up access to new players and markets. In the 2018 financial year, it is the aim to expand existing business relationships based on the varied range of services, which has been significantly widened especially in the digital area, to add new business areas and customer groups and to create a considerably broader customer basis overall.

4.4 Financial targets

The Management Board confirms from today's view the previous financial targets for the financial year 2018:

- Group sales between EUR 110 million and EUR 130 million.
- Group earnings attributable to shareholders between EUR -1.5 million and EUR -4.5 million taking into account the holding costs as well as the financial result and taxes.

Ismaning, August 22, 2018
Constantin Medien AG

Olaf G. Schröder	**Dr Matthias Kirschenhofer**
Chief Executive Officer	Chief Officer Legal and Finance

Consolidated Interim Financial Statements

Consolidated statement of profit or loss

January 1 to June 30, 2018 in EUR '000

	1/1 to 6/30/2018	1/1 to 6/30/2017
Sales	**60,521**	200,270
Capitalized film production costs and other own work capitalized	**1,661**	67,199
Total output	**62,182**	267,469
Other operating income	**2,918**	55,043
Costs for licenses, commissions and materials	**-19,486**	-26,405
Costs for purchased services	**-19,595**	-104,319
Cost of materials and licenses	**-39,081**	-130,724
Salaries	**-14,725**	-57,852
Social security	**-2,452**	-6,912
Pension costs	**-4**	-779
Personnel expenses	**-17,181**	-65,543
Amortization and impairment on film assets	**–**	-39,865
Amortization/depreciation and impairment on intangible assets and property, plant and equipment	**-1,811**	-3,156
Impairment on goodwill	**0**	0
Amortization, depreciation and impairment	**-1,811**	-43,021
Other operating expenses	**-11,580**	-39,922
Impairment/reversal of impairment on financial assets	**-270**	–
Gains/losses from the derecognition of financial assets at amortized costs	**-3**	–
Loss/profit from operations	**-4,826**	43,302
Profit/loss from investments in associated companies	**0**	0
Financial income	**1,087**	2,872
Financial expenses	**-1,604**	-8,504
Financial result	**-517**	-5,632
Loss/profit before taxes	**-5,343**	37,670
Income taxes	**-14**	-1,644
Deferred taxes	**-1,055**	349
Taxes	**-1,069**	-1,295
Net loss/profit	**-6,412**	36,375
thereof non-controlling interests	**0**	1,573
thereof shareholders' interests	**-6,412**	34,802

January 1 to June 30, 2018

	1/1 to 6/30/2018	11/1 to 6/30/2017
Earnings per share		
Earnings per share attributable to shareholders, basic (in EUR)	**-0.07**	0.37
Earnings per share attributable to shareholders, diluted (in EUR)	**-0.07**	0.37
Average number of outstanding shares (basic)	**93,599,838**	93,599,838
Average number of outstanding shares (diluted)	**93,599,838**	93,599,838

Consolidated statement of comprehensive income

January 1 to June 30, 2018 in EUR '000

	1/1 to 6/30/2018	1/1 to 6/30/2017
Net loss/profit	**-6,412**	36,375
Currency translation differences	**3**	-10,927
Net gains/losses from a net investment hedge	**0**	208
Change in fair value of available-for-sale financial assets	**–**	1,932
Gains/losses from cash flow hedges	**0**	1,180
Items that probably will be reclassified to profit or loss in subsequent periods	**3**	-7,607
Result from remeasurement of defined benefit plans	**0**	630
Result from remeasurement of equity instruments	**2,952**	0
Items that will not be reclassified to profit or loss in subsequent periods	**2,952**	630
Other comprehensive income, net of tax	**2,955**	-6,977
Total comprehensive income	**-3,457**	29,398
thereof non-controlling interests	**0**	1,851
thereof shareholders' interests	**-3,457**	27,547

Assets

Consolidated statement of financial position as of June 30, 2018 in EUR '000

	6/30/2018	12/31/2017
Non-current assets		
Other intangible assets	**2,980**	1,888
Goodwill	**8,710**	8,707
Property, plant and equipment	**7,276**	4,391
Investments in associated companies	**0**	0
Other financial assets	**33,456**	105,069
Deferred tax assets	**173**	274
	52,595	120,329
Current assets		
Inventories	**149**	129
Trade accounts receivable and other receivables	**21,628**	33,740
Contract assets	**3,097**	–
Receivables due from associated companies	**0**	56
Cash and cash equivalents	**21,119**	20,845
	45,993	54,770
Total assets	**98,588**	175,099

Equity/Liabilities

Consolidated statement of financial position as of June 30, 2018 in EUR '000

	6/30/2018	12/31/2017
Equity		
Subscribed capital	**93,600**	93,600
Treasury stock	**0**	0
Capital reserve	**-75,283**	-75,283
Other reserves	**36,783**	3,336
Other components of equity	**1,503**	422
Accumulated gain	**9,229**	12,967
Shareholders' interests	**-6,412**	27,842
Equity attributable to the shareholders	**59,420**	62,884
Non-controlling interests	**0**	0
	59,420	62,884
Non-current liabilities		
Other liabilities	**83**	83
Deferred tax liabilitiesn	**2,203**	846
	2,286	929
Current liabilities		
Financial liabilities	**0**	63,870
Trade accounts payable and other liabilities	**27,663**	38,352
Contract liabilities	**2,735**	–
Liabilities due to associated companies	**0**	0
Provisions	**6,327**	8,843
Income tax liabilities	**157**	221
	36,882	111,286
Total equity and liabilities	**98,588**	175,099

Consolidated statement of cash flows

January 1 to June 30, 2018 in EUR '000

	1/1 to 6/30/2018	1/1 to 6/30/2017
Net loss/profit	**-6,412**	36,375
Deferred taxes	**1,055**	-349
Income taxes	**14**	1,644
Financial result	**488**	5,611
Profit (-) / loss (+) from investments in associated companies	**0**	0
Amortization, depreciation and impairment and write-ups on film assets, intangible assets and property, plant and equipment	**1,811**	43,021
Profit (-) / loss (+) from disposal of film assets, intangible assets and property, plant and equipment	**-1**	0
Non-cash gain from the deconsolidation of Highlight Communications AG	**–**	-37,280
Other non-cash items	**1,640**	-2,598
Increase (-) / decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activitiesd	**7,916**	-28,861
Decrease (-) / increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities	**-7,901**	7,590
Dividends received	**1,066**	0
Interest paid	**-4,511**	-6,100
Interest received	**0**	27
Income taxes paid	**-78**	-4,329
Income taxes received	**0**	253
Cash flow for/from operating activities	**-4,913**	15,004
Change in cash and cash equivalents due to acquisitions of companies/shares in companies, net	**-3**	0
Payments for intangible assets	**-1,691**	-721
Payments for film assets	**–**	-57,102
Payments for property, plant and equipment	**-4,104**	-1,303
Payments for financial assets	**0**	-6
Proceeds/payments due to sale of companies/shares in companies, net	**0**	0
Disposal of cash and cash equivalents due the deconsolidation of Highlight Communications AG	**–**	-60,315
Proceeds from disposal of intangible assets and film assets	**0**	0
Proceeds from disposal of property, plant and equipment	**8**	43
Proceeds from disposal of financial assets	**74,971**	29
Cash flow from/for investing activities	**69,181**	-119,375

January 1 to June 30, 2018 in EUR '000

	1/1 to 6/30/2018	1/1 to 6/30/2017
Proceeds from capital increase and from issuance of equity instruments	**0**	0
Payments for purchase of treasury stock	**0**	0
Proceeds from sale of treasury stock	**0**	0
Payments for purchase of non-controlling interests	**0**	-500
Proceeds from sale of non-controlling interests	**0**	0
Repayment and buy-back of non-current financial liabilities	**0**	0
Repayment and buy-back of current financial liabilities	**-64,000**	-1,800
Proceeds from receipt of non-current financial liabilities	**0**	0
Proceeds from receipt of current financial liabilities	**0**	20,779
Dividend payments	**0**	-977
Cash flow for/from financing activities	**-64,000**	17,502
Cash flow from/for the reporting period	**268**	-86,869
Financial funds at the beginning of the reporting period	**20,845**	104,830
Effects of currency differences	**6**	-1,068
Financial funds at the end of the reporting period	**21,119**	16,893
Change in financial funds	**268**	-86,869

Composition of financial funds as of June 30, 2018 in EUR '000

	6/30/2018	6/30/2017
Cash and cash equivalents	**21,119**	52,893
Earmarked cash and cash equivalents	**0**	-36,000
Total financial funds	**21,119**	16,893

Consolidated statement of changes in equity

January 1 to June 30, 2017 in EUR '000

	Subscribed capital	Treasury stock	Capital reserve	Other reserves	Currency translation differences
Balance 1/1/2018	93,600	0	-75,283	3,336	-27
Adjustment to IFRS 9					
Adjustment to IFRS 15					
Adjusted balance 1/1/2018	93,600	0	-75,283	3,336	-27
Items that probably will be reclassified to profit or loss in subsequent periods					3
Items that will not be reclassified to profit or loss in subsequent periods					
Other comprehensive income	0	0	0	0	3
Net loss/profit					
Total comprehensive income	0	0	0	0	3
Reclassification of prior year's net result					
Capital increase					
Change in treasury stock					
Dividend payments					
Change in non-controlling interests					
Transfer of cumulative gain/loss of equity instruments to accumulated gain/loss					
Reclassification of reserve for shares in a controlling company				33,447	
Other changes					
Balance 6/30/2018	93,600	0	-75,283	36,783	-24
Balance 1/1/2017	93,600	0	-75,283	3,336	10,386
Items that probably will be reclassified to profit or loss in subsequent periods					-10,393
Items that will not be reclassified to profit or loss in subsequent periods					
Other comprehensive income	0	0	0	0	-10,393
Net profit/loss					
Total comprehensive income	0	0	0	0	-10,393
Reclassification of prior year's net result					
Capital increase					
Change in treasury stock					
Dividend payments					
Change in non-controlling interests					
Offsetting of capital reserve with accumulated gain/loss					
Other changes					
Balance 6/30/2017	93,600	0	-75,283	3,336	-7

Other components of equity								
Net investment hedge	Equity instruments/ available-for-sale financial assets	Cash flow-hedges	Remeasurement of defined benefit plans	Accumulated gain/loss	Shareholders' interests	**Equity attributable to shareholders**	Non-controlling interests	**Total**
0	449	0	0	12,967	27,842	**62,884**	0	**62,884**
				64		**64**		**64**
				-71		**-71**		**-71**
0	449	0	0	12,960	27,842	**62,877**	0	**62,877**
						3		**3**
	2,952					**2,952**		**2,952**
0	2,952	0	0	0	0	**2,955**	0	**2,955**
					-6,412	**-6,412**		**-6,412**
0	2,952	0	0	0	-6,412	**-3,457**	0	**-3,457**
				27,842	-27,842	**0**		**0**
						0		**0**
						0		**0**
						0		**0**
						0		**0**
	-1,874			1,874		**0**		**0**
				-33,447		**0**		**0**
						0		**0**
0	1,527	0	0	9,229	-6,412	**59,420**	0	**59,420**
-208	0	-715	-117	4,527	8,274	**43,800**	54,314	**98,114**
208	1,932	715				**-7,538**	-69	**-7,607**
			283			**283**	347	**630**
208	1,932	715	283	0	0	**-7,255**	278	**-6,977**
					34,802	**34,802**	1,573	**36,375**
208	1,932	715	283	0	34,802	**27,547**	1,851	**29,398**
				8,274	-8,274	**0**		**0**
						0		**0**
						0		**0**
						0	-977	**-977**
						0		**0**
						0		**0**
						0	-55,188	**-55,188**
0	1,932	0	166	12,801	34,802	**71,347**	0	**71,347**

Notes

1. General information about the Group

Constantin Medien AG (HRB: 148760), as the parent company, is headquartered at Münchener Straße 101g, Ismaning/Germany. At its meeting on August 22, 2018, the Management Board of Constantin Medien AG approved the publication of the present unaudited, condensed consolidated interim financial statements. Constantin Medien AG is included in the consolidated financial statements of the direct parent company Highlight Communications AG, Pratteln/Switzerland and in the ultimate parent company Highlight Event and Entertainment AG, Pratteln/Switzerland.

2. Accounting and valuation principles

The preparation of the unaudited, condensed consolidated interim financial statements for the period from January 1 to June 30, 2018 was prepared in accordance with the International Accounting Standard for Interim Financial Reporting (IAS 34). The condensed consolidated interim financial statements do not contain all explanations and disclosures required for the financial year-end and should be read in conjunction with the consolidated financial statements as of December 31, 2017 published by the Company.

Except for the first-time adoption of new or amended standards and interpretations explained in note 3, the accounting and valuation principles used to prepare the condensed consolidated interim financial statements are the same as those used in the preparation of the consolidated financial statements for the 2017 financial year (see Annual Report 2017, notes to the consolidated financial statements, note 4).

The condensed consolidated interim financial statements are prepared in Euros, which represent the functional and reporting currency of the Group parent company. The amounts are generally stated in thousands of Euros (EUR ‘000), unless otherwise stated.

The Sports Segment is subject to seasonal fluctuations. Sales in the Sports Segment are lower in the summer months due to lower advertising revenues, which depend on broadcasting rights to sport events. This leads to fluctuations in sales and segment results in the quarters of the financial year.

The preparation of condensed consolidated interim financial statements requires management to make judgments and assumptions that affect reported assets, liabilities and contingent liabilities at the date of accounting as well as income and expenses for the period (see Annual Report 2017, notes to the consolidated financial statements, note 5) and the supplements in the note 4 of these condensed consolidated interim financial statements.

3. Changes in the accounting principles

The mandatory first-time adoption of the following accounting standards and interpretations as of January 1, 2018, resulted in the following material changes in these condensed consolidated interim financial statements.

3.1 First-time adoption of IFRS 9 Financial Instruments

On July 24, 2014, the IASB published the final version of IFRS 9 Financial Instruments. In this version, the results of the phases classification and measurement, impairment and hedge accounting, in which the project to replace IAS 39 Financial Instruments: Recognition and Measurement has been processed, were brought together. The standard replaces all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018.

The new regulations and the associated changes in the accounting principles of Constantin Medien AG essentially comprise the following matters of relevance to the Constantin Medien Group.

Classification and measurement of financial instruments

The first-time adoption of these rules has not had any material effects on the results of operations, net assets and financial position. The previous year's figures were not adjusted in accordance with the relief provisions of IFRS 9.

Financial assets previously carried at amortized cost are also measured at amortized cost under IFRS 9 because they are held to collect contractual cash flows that are solely repayments and interest payments.

All equity instruments that fall within the scope of IFRS 9 must be recognized in the balance sheet at fair value; changes in value are recognized in the result for the period. If an equity instrument is not held for trading, an entity may make the irrevocable decision on initial recognition to recognize it at fair value with changes in value recognized in other comprehensive income. Constantin Medien AG made use of the option for all equity instruments as of January 1, 2018, which are not held for trading purposes, and reported them irrevocably at fair value with recognition of the changes in value in other comprehensive income. As a result, equity instruments with a carrying amount of EUR 105,069 thousand as of January 1, 2018 were reclassified from the previous category "available-for-sale financial instruments" to the category "fair value through other comprehensive income". In the balance sheet, these equity instruments are reported under other non-current financial assets.

Financial liabilities measured at amortized cost remain unchanged. The effects of the modification of financial liabilities must now be recognized in the income statement. The rules on derecognition of financial assets and liabilities have remained largely unchanged.

The changes resulting from the classification of financial instruments without consideration of the new impairment regulations in accordance with IFRS 9 are shown in the following table:

Transition of classes from IAS 39 to IFRS 9

Classes of financial insruments according to IFRS 9	Measurement category	
Non-current assets	**according to IAS 39**	**according to IFRS 9**
Other non-current financial assets		
– Investment Highlight Communications AG	Available-for-sale financial instruments	Fair value through other comprehensive income
– Investment Geenee Inc.	Available-for-sale financial instruments	Fair value through other comprehensive income
– Other investments	Available-for-sale financial instruments	Fair value through other comprehensive income
Current assets	**according to IAS 39**	**according to IFRS 9**
Cash and cash equivalents	Loan and receivables	At amortized costs
Trade accounts receivable	Loan and receivables	At amortized costs
Receivables due from associated companies	Loan and receivables	At amortized costs
Other receivables		
– Suppliers with debit balances	Loan and receivables	At amortized costs
– Receivables due from related companies and persons	Loan and receivables	At amortized costs
– Other assets	Loan and receivables	At amortized costs
– Prepaid expenses	No financial instrument according to IAS 32	No financial instrument according to IAS 32
– Advance payments	No financial instrument according to IAS 32	No financial instrument according to IAS 32
– Value added tax receivables	No financial instrument according to IAS 32	No financial instrument according to IAS 32
– Other assets	No financial instrument according to IAS 32	No financial instrument according to IAS 32
– Other taxes	No financial instrument according to IAS 32	No financial instrument according to IAS 32
Non-current liabilities	**according to IAS 39**	**according to IFRS 9**
Other liabilities	Other financial liabilities	At amortized costs
Current liabilities	**according to IAS 39**	**according to IFRS 9**
Financial liabilities (corporate bond 2013/2018)	Other financial liabilities	At amortized costs
Trade accounts payable	Other financial liabilities	At amortized costs
Other payables		
– Derivative financial instruments without hedging relationship	Fair value through profit or loss	Fair value through profit or loss
– Liabilities due to related companies and persons	Other financial liabilities	At amortized costs
– Customers with credit balances	Other financial liabilities	At amortized costs
– Personnel-related liabilities	Other financial liabilities	At amortized costs
– Commissions and licenses	Other financial liabilities	At amortized costs
– Current interest payables	Other financial liabilities	At amortized costs
– Other liabilities	Other financial liabilities	At amortized costs
– Deferred income	No financial instrument according to IAS 32	No financial instrument according to IAS 32
– Value added payable	No financial instrument according to IAS 32	No financial instrument according to IAS 32
– Other taxes and social securities	No financial instrument according to IAS 32	No financial instrument according to IAS 32
– Personnel-related liabilities	No financial instrument according to IAS 32	No financial instrument according to IAS 32

Transition of classes from IAS 39 to IFRS 9 in EUR '000

Classes of financial insruments according to IFRS 9	Carrying amounts as of 1/1/2018		
Non-current assets	**according to IAS 39**	**according to IFRS 9**	**change**
Other non-current financial assets			
– Investment Highlight Communications AG	105,060	105,060	0
– Investment Geenee Inc.	0	0	0
– Other investments	9	9	0
Current assets	**according to IAS 39**	**according to IFRS 9**	**change**
Cash and cash equivalents	20,845	20,845	0
Trade accounts receivable	18,467	18,467	0
Receivables due from associated companies	56	56	0
Other receivables			
– Suppliers with debit balances	63	63	0
– Receivables due from related companies and persons	508	508	0
– Other assets	3,947	3,947	0
– Prepaid expenses	9,876	9,876	0
– Advance payments	22	22	0
– Value added tax receivables	171	171	0
– Other assets	18	18	0
– Other taxes	668	668	0
Non-current liabilities	**according to IAS 39**	**according to IFRS 9**	**change**
Other liabilities	83	83	0
Current liabilities	**according to IAS 39**	**according to IFRS 9**	**change**
Financial liabilities (corporate bond 2013/2018)	63,870	63,870	0
Trade accounts payable	22,204	22,204	0
Other payables			
– Derivative financial instruments without hedging relationship	37	37	0
– Liabilities due to related companies and persons	286	286	0
– Customers with credit balances	197	197	0
– Personnel-related liabilities	1,951	1,951	0
– Commissions and licenses	5,968	5,968	0
– Current interest payables	3,105	3,105	0
– Other liabilities	97	97	0
– Deferred income	1,599	1,599	0
– Value added payable	643	643	0
– Other taxes and social securities	1,212	1,212	0
– Personnel-related liabilities	1,053	1,053	0

Impairment of financial assets

Furthermore, IFRS 9 introduces the model of expected losses for the recognition of impairment losses on financial assets. This means that a risk exposure must already be recorded before default events occur on the basis of historical default rates, which must be adjusted on the balance sheet date to reflect current information and expectations. To determine the expected credit defaults on trade accounts receivable and contract assets, the Constantin Medien Group applies the simplified impairment model of the credit loss arising over the entire term (simplified approach). The maturity-specific allowance factors are based on historical and future-oriented information. The first-time adoption of the new regulations resulted in a reduction of EUR 88 thousand in impairment losses on trade accounts receivable as of January 1, 2018 (before considering deferred taxes) due to the calculation of the allowances for trade accounts receivable not individually impaired using a value adjustment table. The expected losses over the remaining term are determined as percentages depending on the duration of the overdue period. The following table shows the determination of the impairment of trade accounts receivable not individually impaired as of January 1, 2018:

Allowances in EUR '000

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

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

The first-time adoption of the new impairment model had no material effects on cash and cash equivalents, receivables from associated companies, contract assets and other financial receivables.

Accounting for hedge accounting

At the time of first-time adoption on January 1, 2018, the Constantin Medien Group had no hedging relationships. Constantin Medien AG will in future apply the regulations of IFRS 9 regarding the accounting of hedging instruments, i.e. in the context of the accounting of hedging relationships there will in particular be extensions of designation possibilities and the retrospective effectiveness test will no longer apply in future.

Disclosure

With the entry into force of IFRS 9 Financial Instruments, additional disclosures in accordance with IFRS 7 Financial Instruments: Disclosures are also required. These relate in particular to information on impairments and hedge accounting. The Constantin Medien Group will present these additional notes in full for the first-time in the consolidated financial statements as of December 31, 2018.

3.2 Changes in accounting and valuation principles for financial instruments (from January 1, 2018)

For categorization, IFRS 9 is limited to the following categories:

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

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

Financial assets: Debt instruments

Financial assets held within a business model that provides for holding the asset in order to collect the contractual cash flows are carried at amortized cost. These business models are managed on the basis of the interest rate structure and the credit risk. The initial valuation is at fair value plus transaction costs. The subsequent measurement is carried out at amortized cost on the basis of the effective interest rate.

If the business model generally provides for the holding of assets but disposals are made when necessary, for example to cover a liquidity requirement, these assets are measured at fair value through other comprehensive income (FVTOCI). The initial valuation is at fair value plus transaction costs. The subsequent measurement is carried out at fair value on the reporting date through other comprehensive income with recycling. Impairments, interest income and foreign currency profits are recognized in the statement of profit or loss.

Financial assets whose cash flows do not consist exclusively of interest and principal payments, such as derivatives without hedging relationships, are measured at fair value through profit or loss (FVTPL). Initial valuation is at fair value excluding transaction costs. Subsequent measurement is at fair value as of the reporting date through the statement of profit or loss.

Financial assets: Equity instruments

Equity instruments are generally recognized at fair value through profit or loss. Initial valuation is at fair value without transaction costs. Subsequent measurement is at fair value as of the reporting date through the statement of profit or loss.

In the case of equity instruments that are not held for trading purposes, it is possible at initial recognition to make the irrevocable decision to measure them at fair value in subsequent periods with no effect on income and without the possibility of recycling (with recognition of changes in value in other comprehensive income (FVTOCI)). However, these equity instruments may not be held for trading purposes. Constantin Medien AG applies this option for measurement at fair value through other comprehensive income at individual case level. Since such a financial investment is not a monetary item within the meaning of IAS 21, the gains and losses recognized in other comprehensive income include the related foreign currency component. Distributions or dividends from such instruments are recognized in the statement of profit or loss.

Financial liabilities:

Financial liabilities held for trading (e.g. derivatives without hedging relationship) are measured at fair value through profit or loss (FVTPL).

All other financial liabilities are measured at amortized cost - unless Constantin Medien AG voluntarily designates them at fair value upon initial recognition and recognizes the changes in value in the statement of profit or loss (fair value option).

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

Level 1: In principle, all instruments are to be assigned to level 1 at initial recognition. For them, the present value of the expected payment defaults resulting from possible default events within the next 12 months after the balance sheet date must be recognized as an expense. Interest is recognized based on the gross carrying amount, i.e. the effective interest method is based on the carrying amount before considering risk provisioning.

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

Significant indications of impairment at the Constantin Medien Group include among others:
- Significant deterioration in the expected performance and behavior of the debtor
- Significant deterioration in the credit quality of other instruments of the same debtor
- Actual or expected deterioration in economic, financial, regulatory or technological circumstances relevant to the creditworthiness of the debtor

Level 3: If, in addition to a significant increase in the default risk on the balance sheet date, there is also objective evidence of impairment, risk provisions are also measured on the basis of the present value of expected losses over the remaining term. However, interest income must be adjusted in subsequent periods so that in future interest income must be calculated based on the net carrying amount, i.e. the carrying amount after considering risk provisioning.

Objective indications of impairment at the Constantin Medien Group include among others:
- Significant financial difficulties of the issuer or the debtor
- A breach of contract, such as default or delay in interest or principal payments
- An increased probability that the borrower will go into insolvency or other restructuring proceedings

The simplified procedure is always to be applied to trade accounts receivable or contract assets that do not contain a significant financing component. With the simplified procedure, it is not necessary to track changes in the default risk. Instead, both on initial recognition and as part of subsequent measurement, a risk provision must be recognized in the amount of the total term of the expected default risk. In the Constantin Medien Group, specific allowances are recognized for trade accounts receivable and contract assets if there are objective indications of impairment. For the remaining portfolio, the impairments are determined based on a value adjustment table, which determines the expected losses over the remaining term as percentages depending on the duration of the overdue period. These percentages are based on historical default rates, adjusted for future-oriented estimates.

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

3.3 First-time adoption of IFRS 15 Revenue from contracts with customers (including clarifications)
The objective of IFRS 15 is to inform users of the financial statements about the nature, amount, timing and uncertainty of revenues from a contract with a customer and the resulting cash flows. The core principle is implemented with a five-level framework model:

- Identification of the contract with the customer
- Identification of separate performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the separate performance obligations of the contract
- Revenue recognition upon fulfillment of the performance obligations by the company

The requirements of IFRS 15 were applied as of January 1, 2018 using the modified retrospective approach. The previous year's figures are not adjusted in accordance with the transitional provisions of the standard, but the cumulative effects from the first-time adoption are recorded as an adjustment in equity. The Constantin Medien Group makes use of the exemption under IFRS 15.C7 and does not reassess contracts that were fulfilled before the date of first-time adoption.

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

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

Adjustments to the balance sheet: contract assets and contract liabilities

A contract asset exists if the Constantin Medien Group fulfills a service obligation but has not yet acquired an unconditional claim to receipt of the consideration (e.g. because further service obligations must be fulfilled first before an invoice can be issued). In complex agreements, the payment of the consideration by the customer may be made at different times during the term of the contract. The Constantin Medien Group sometimes receives consideration from its customers in advance of the services resulting from a contract. In such cases, the rights and obligations under the contract are closely related and, accordingly, the contract assets and contract liabilities are interdependent and are therefore presented net in the balance sheet provided that the provisions on netting under IAS 32 are complied with. This leads to the following adjustments as of the date of first-time adoption on January 1, 2018: EUR 2,818 thousand were reclassified from other receivables to contract assets and EUR 2,347 thousand from other liabilities and other provisions to contract liabilities.

Adjustment for barter transactions

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

Constantin Medien AG has not capitalized any costs of contract acquisition and costs of contract fulfillment as these are insignificant. Apart from this, the first-time adoption of IFRS 15 had no material impact on the consolidated financial statements of the Constantin Medien Group.

Disclosures

With the first-time adoption of IFRS 15 Revenue from contracts with customers, additional disclosures are also required. The Constantin Medien Group will present these additional notes in full for the first-time in the consolidated financial statements as of December 31, 2018.

3.4 Changes in accounting and valuation policies for revenue recognition (from January 1, 2018)

Revenue recognition platforms:

TV advertising revenues are generally recognized when the corresponding commercial is broadcasted to consumers. Discounts and commissions for advertising agencies are deducted directly from sales. In principle, there are no financing components, as the contracts with the advertising agencies are concluded for one year.

The marketing and billing of the advertising revenues of the digital platforms are largely outsourced to an external company. This agreement has a term of two years. However, since sales are settled monthly and possible advance payments cover a maximum time horizon of three months, there is no financing component for this transaction. In this case, revenue recognition takes place over time using the output-oriented method based on the placed commercial. Discounts and commissions are deducted directly from sales.

Distribution revenues are recorded over time using the output-oriented method (collection of services rendered to date).

The Constantin Medien Group grants bonus in kind, i.e. free advertising spots in addition to the paid commercial. The paid and free advertising spots are to be categorized as separate service obligations. The transaction price is generally allocated proportionally. Normally, the paid commercial is broadcasted first, accordingly, the broadcasting of a paid commercial leads to a contract liability if the associated free spot has not yet been broadcasted.

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

Revenues from barter transactions are recognized as sales if the transactions are economically justified and not balance sheet motivated and if the parties involved are not in the same business line.

Revenue recognition from services:

Revenues from production services and play-out are generally recognized over time using the output-oriented method. The performance progress is recorded on the basis of the programmes produced or the duration of the transmission.

In the consulting area, sales are generally recognized over time using the input-oriented method. The performance progress is determined based on the costs incurred in relation to the costs budgeted.

Further information on revenue recognition:

Due to the deconsolidation of Highlight Communications AG as of June 12, 2017, the specific accounting and valuation methods for revenue recognition in the former Film Segment and the revenue recognition in the former Sports- and Event-Marketing Segment will no longer apply as of the financial year 2018.

3.5 Other changes in accounting and valuation principles

Due to the deconsolidation of Highlight Communications AG as of June 12, 2017, the following specific accounting and valuation policies will no longer apply as of financial year 2018:

- Film assets
- Pension obligations
- Long-term construction contracts
- Government grants

3.6 Summary of the effects of the first-time adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers

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

	12/31/2017	IFRS 15 reclassification	IFRS 15 adjustments	IFRS 9 adjustments	**1/1/2018**
Non-current assets					
Other intangible assets	1,888				**1,888**
Goodwill	8,707				**8,707**
Property, plant and equipment	4,391				**4,391**
Investments in associated companies	0				**0**
Other financial assets	105,069				**105,069**
Deferred tax assets	274		27	5	**306**
	120,329	0	27	5	**120,361**
Current assets					
Inventories	129				**129**
Trade accounts receivable and other receivables	33,740	-2,818		88	**31,010**
Contract assets	–	2,818			**2,818**
Receivables due from associated companies	56				**56**
Cash and cash equivalents	20,845				**20,845**
	54,770	0	0	88	**54,858**
Total assets	175,099	0	27	93	**175,219**
Equity					
Subscribed capital	93,600				**93,600**
Treasury stock	0				**0**
Capital reserve	-75,283				**-75,283**
Other reserves	3,336				**3,336**
Other components of equity	422				**422**
Accumulated gain	12,967		-71	64	**12,960**
Shareholders' interests	27,842				**27,842**
Equity attributable to the shareholders	62,884	0	-71	64	**62,877**
Non-controlling interests	0				
	62,884	0	-71	64	**62,877**
Non-current liabilities					
Other liabilities	83				**83**
Deferred tax liabilitiesn	846			29	**875**
	929	0	0	29	**958**
Current liabilities					
Financial liabilities	63,870				**63,870**
Trade accounts payable and other liabilities	38,352	-1,599	98		**36,851**
Contract liabilities	–	2,347			**2,347**
Provisions	8,843	-748			**8,095**
Income tax liabilities	221				**221**
	111,286	0	98	0	**111,384**
Total equity and liabilities	175,099	0	27	93	**175,219**

4. Changes in the accounting of judgements and estimates

Impairment of financial assets (debt instruments)

The provisions for recognizing impairment on financial assets based on the expected loss model include significant judgments as to how expected credit losses are affected by changes in economic factors. Financial assets are to be allocated to different risk classes according to historical and future probabilities of default (e.g. due to the general economic situation and its projections), and risk provisions must be recognized even before default events occur.

For the Constantin Medien Group, expected losses are defined as the weighted average of loan defaults, weighted by the respective probability of occurrence of the defaults. The estimates always take into account the possibility of default and the possibility of non default, even if the most probable scenario is non default.

Estimates in identifying the transaction price for revenue from contracts with customers

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

5. Changes in the scope of consolidation

On March 7, 2018, Constantin Sport Holding GmbH acquired a shell company with a registered share capital of EUR 25 thousand and renamed it Magic Sports Media GmbH. Magic Sports Media GmbH offers companies in the gaming and gambling sector, media companies and sports associations, leagues and clubs a comprehensive range of services in the fields of ad sales, consulting and regulation & policy. Since March 7, 2018, Magic Sports Media GmbH has been fully included with 100 percent in the consolidated financial statements of Constantin Medien AG.

6. Explanations to selected items of the consolidated statement of profit or loss and the consolidated statement of financial position

6.1 Amortization, depreciation and impairment on property, plant and equipment and intangible assets

Amortization, depreciation and impairment in EUR '000

	1/1 to 6/30/2018	1/1 to 6/30/2017
Scheduled amortization of film assets	**–**	38,920
Scheduled amortization of intangible assets	**599**	957
Scheduled depreciation of property, plant and equipment	**1,212**	2,199
Impairment on film assets	–	945
Total	**1,811**	43,021

6.2 Financial result

Financial income in EUR '000

	1/1 to 6/30/2018	1/1 to 6/30/2017
Currency gains	**19**	1,734
Gains from changes in the fair value of financial instruments	**2**	1,110
Dividend equity instruments FVTOCI	**1,066**	–
Accretion of discount for receivables	**0**	1
Other interests and similar income	**0**	27
Total	**1,087**	2,872

Financial expenses in EUR '000

	1/1 to 6/30/2018	1/1 to 6/30/2017
Interest expense corporate bond	**1,505**	2,418
Currency losses	**48**	1,755
Losses from changes in the fair value of financial instruments	**17**	1,631
Accretion of discount on payables and provisions	**0**	1
Other interests and similar expenses	**34**	2,699
Total	**1,604**	8,504

6.3 Property, plant and equipment

Property, plant and equipment include prepayments of EUR 2,660 thousand mainly for the new broadcasting center of PLAZAMEDIA GmbH.

6.4 Other non-current financial assets

Other non-current financial assets in EUR '000

	6/30/2018	12/31/2017
Investment Highlight Communications AG	**33,447**	105,060
Investment Geenee, Inc	**0**	0
Other investments	**9**	9
Total	**33,456**	105,069

On March 22, 2018, the Management Board resolved with the approval of the Group Financing Special Committee of the Supervisory Board to sell a total of 12,417,482 Highlight Communications AG shares at a price of EUR 5.20 per share with a total value of EUR 64,571 thousand to Highlight Event and Entertainment AG. The corresponding purchase agreement was signed by both parties on March 22, 2018. The gain from this sale in the amount of EUR 1,242 thousand before tax was recognized in other comprehensive income.

Constantin Medien AG sold 2 million Highlight Communications AG shares over-the-counter on April 19, 2018. The purchase price per share was set at EUR 5.20. The proceeds or inflow of liquidity thus amounts to EUR 10,400 thousand and leads to a corresponding improvement in net liquidity. The profit from the sale in the amount of EUR -720 thousand before tax was recognized directly in other comprehensive income.

6.5 Deferred taxes

On November 27, 2017, Highlight Communications AG and Studhalter Investment AG announced a voluntary public takeover offer to the shareholders of Constantin Medien AG. The takeover bid was successfully completed on February 5, 2018 and finally executed on February 13, 2018, respectively, and 48.39 percent Constantin Medien AG shares were tendered to Highlight Communications AG and Studhalter Investment AG. Together with the 29.99 percent of Highlight Event and Entertainment AG in Constantin Medien AG, the Highlight Group thus holds a total of 78.38 percent of Constantin Medien AG. At Highlight Group level, the shares held by Constantin Medien AG in Highlight Communications AG are now classified as treasury shares in the consolidated financial statements in accordance with International Financial Reporting Standards. However, the dividend claim for the remaining Highlight Communications AG shares remains with Constantin Medien AG. Due to the attribution of the voting rights of Highlight Event and Entertainment AG to Highlight Communications AG following the completion of the takeover offer, tax losses carried forward (as of December 31, 2017: tax losses carried forward for corporate income tax of EUR 629,727 thousand and tax losses carried forward for trade tax of EUR 362,320 thousand) were completely derecognized at Constantin Medien AG. As a result, deferred tax assets on loss carryforwards in the amount of EUR 585 thousand were derecognized to profit or loss in the first quarter of 2018. As of June 30, 2018, there are no deferred tax assets on loss carryforwards in the Constantin Medien Group.

6.6 Contract assets

The first-time adoption of IFRS 15 resulted in a reclassification of deferred revenues from other receivables to contract assets in the amount of EUR 2,818 thousand as of January 1, 2018. These are services rendered which had not yet been invoiced.

6.7 Equity

A reserve for shares in a controlling company in the amount of the carrying value of the investment in Highlight Communications AG (EUR 33,447 thousand) was recognized from the accumulated gain. This is a reclassification within equity (from accumulated gain to other reserves) not affecting net income.

6.8 Share-based payments

As of September 30, 2017, the waiting period has expired. Since then, the 2-year exercise period has been in effect for all stock appreciation rights. The exercise can be carried out monthly on the 15th calendar day. On November 15, 2017, the former Chief Executive Officer Fred Kogel exercised 333,334 stock appreciation rights at an issue price of EUR 1.80 (EUR 90 thousand) and on February 15, 2018 333,333 stock appreciation rights at an issue price of EUR 2.10 (EUR 46 thousand). The fair value of the stock appreciation rights exercised corresponds to the average stock market price of the respective stock in the daily closing auction of XETRA trading over a period of three months prior to the exercise date. The fair value of the stock appreciation rights granted but not yet exercised in the reporting period was determined using the following factors:

Disclosures about the valuation of stock appreciation rights

	6/30/2018		12/31/2017	
	Constantin Medien AG stock appreciation rights	**Highlight Communications AG stock appreciation rights**	Constantin Medien AG stock appreciation rights	Highlight Communications AG stock appreciation rights
Option pricing model	**Binomial model**	**Binomial model**	Binomial model	Binomial model
Expected volatility	**21.21%**	**17.34%**	30.06%	21.90%
Expected dividend yield	**0.00%**	**3.18%**	0.00%	2.46%
Expected option life	**0.5 years**	**0.5 years**	0.3 years	0.3 years
Risk-free interest rate	**-0.72%**	**-0.72%**	-0.65%	-0.65%
Exercise price in EUR	**2.50**	**5.00**	2.50	5.00
Weighted average exercise price in EUR	**2.50**	**5.00**	2.50	5.00

In the reporting period, expenses of EUR 64 thousand (6M 2017: EUR 260 thousand income) were accounted for by share-based payment. The carrying amount of the liabilities from share-based payments as of June 30, 2018, was EUR 347 thousand (December 31, 2017: EUR 283 thousand). All claims of Mr Fred Kogel from the stock appreciation rights are in legal clarification and have not yet been paid.

6.9 Current financial liabilities

On April 23, 2018, Constantin Medien AG repaid the outstanding corporate bond 2013/2018 plus interest totaling EUR 69,550 thousand on schedule. On April 23, 2018, self-held shares of the 2013/2018 corporate bond with a value of EUR 1,000 thousand were remitted to Constantin Medien AG.

6.10 Contract liabilities

The first-time adoption of IFRS 15 resulted in a reclassification of deferred revenues from other liabilities and other provisions to contract liabilities in the amount of EUR 2,347 thousand as of January 1, 2018. These are services that have not yet been provided, but have already been paid for.

7. Disclosures on financial risk management

Compared to the consolidated financial statements as of December 31, 2017, there were no changes in financial risk management with the following exception.

Liquidity risks

Constantin Medien AG has sold 2 million shares of Highlight Communications AG over-the-counter on April 19, 2018. The purchase price per share was set at EUR 5.20 and was within the valuation range of a valuation report prepared by a renowned corporate finance consulting firm. The proceeds respectively inflow of liquidity thus amounted to EUR 10,400 thousand. As a result, Constantin Medien AG secures the Company's ongoing financings, including in particular the liquidity risks mentioned in the 2017 Annual Report. Following the sale, the company holds a further 6,182,518 shares in Highlight Communications AG, is debt-free in its balance sheet after repayment of the bond and has sufficient free liquidity reserves in the future.

Fair value hierarchy

The following table shows the allocation of financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

Fair value hierarchy as of June 30, 2018 in EUR '000

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	**Total**
Financial assets					
Equity instruments at fair value through other comprehensive income	33,456	33,447		9	**33,456**
Financial liabilities					
Derivative financial instruments	17		17		**17**

Fair value hierarchy as of December 31, 2017 in EUR '000

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	**Total**
Financial assets					
Available-for-sale financial assets	105,060	105,060			**105,060**
Financial liabilities					
Current financial liabilities	63,870	64,320			**64,320**
Derivative financial instruments	37		37		**37**

Disclosures on level 3 financial instruments as of June 30, 2018 in EUR '000

Description of the financial instrument	Investment Geenee, Inc.	Other investments
Fair value at January 1, 2017	0	–
Impairment recognized in the statement of profit or loss	0	–
Foreign currency exchange differences recognized in other comprehensive income	0	–
Fair value at December 31, 2017	0	–
IFRS 9 adjustments	0	9
Fair value changes recognized in other comprehensive income	0	0
Foreign currency exchange differences directly recognized in equity	0	0
Fair value at June 30, 2018	0	9

Fair value of financial assets and liabilities

Financial assets measured at fair value and included in level 1 are determined using stock market prices. The derivative financial instruments included in level 2 are measured at current market values. A discounted cash flow method was used to determine the fair value of level 2 derivative financial instruments. The investment in Highlight Communications AG (equity instrument at fair value through other comprehensive income) is measured at its stock market price. The investment in Geenee, Inc. had already been fully written down as of December 31, 2016. For reasons of materiality, other equity instruments (a total of EUR 9 thousand) are carried at historical cost. No reclassifications were made between the individual levels of the fair value hierarchy. .

Financial assets and liabilities carried at amortized cost

Due to the short remaining term, the carrying amounts of current financial receivables and liabilities approximate their fair values as of the balance sheet date.

Fair value of non-financial assets and liabilities

As of June 30, 2018, no non-financial assets and liabilities were measured at fair value.

8. Segment reporting

Due to the deconsolidation of Highlight Communications AG as of June 12, 2017, the prior-year reporting for the Film Segment and the Sports- and Event-Marketing Segment relates to the period from January 1, 2017 to June 12, 2017. Starting in the financial year 2018, the Constantin Medien Group consists of the Sports Segment and the division Others.

The following segment information is based on the so-called management approach. Segregation of the segments and segment reporting are based on the internal reporting of the organizational units to the main decision-makers with regard to the allocation of resources and the assessment of profitability. The Company's Management Board, as Chief Operating Decision Maker, decides on the allocation of resources to the segments and continues to assess their success on the basis of the key figures of sales and segment result. The Management Board does not measure the segments on the basis of assets and liabilities. Furthermore, performance-related incentives for all key employees and managing directors of the companies in the Sports Segment are based on the EBIT (segment result) of the Sports Segment.

The corporate functions of Constantin Medien AG are shown under Others, which is not an operating segment. These include actual Group Management, Corporate Finance, IT, Investor Relations, Controlling, Legal, Group Accounting, Corporate Communications, Internal Audit and Human Resources.

The operating result (EBIT) corresponds to the segment result, as it is used internally as a performance indicator.

The Sports Segment mainly comprises activities in the TV and digital sectors with the umbrella brand SPORT1 and in the areas of production, content solutions services and content marketing with PLAZAMEDIA. Marketing is carried out by Sport1 Media GmbH and Magic Sports Media GmbH, which, in addition to marketing the SPORT1 platforms, also takes over the marketing of third-party platforms.

Segment reporting January 1 to June 30, 2018 in EUR '000

	Sports	Film	Sports- and Event-Marketing	Others	Recon-ciliation	**Group**
External sales	60,521	–	–	0	0	**60,521**
Intercompany sales	0	–	–	0	0	**0**
Total sales	60,521	–	–	0	0	**60,521**
Other segment income	3,669	–	–	2,464	-1,554	**4,579**
Segment expenses	-66,277	–	–	-5,203	1,554	**-69,926**
thereof scheduled amortization and depreciation	-1,779	–	–	-32	0	**-1,811**
thereof impairments	0	–	–	0	0	**0**
Segment result	-2,087	–	–	-2,739	0	**-4,826**

Segment reporting January 1 to June 30, 2017 in EUR '000

	Sports	Film	Sports- and Event-Marketing	Others	Recon-ciliation	**Group**
External sales	75,581	100,320	24,369	0	0	**200,270**
Intercompany sales	218	274	0	0	-492	**0**
Total sales	75,799	100,594	24,369	0	-492	**200,270**
Other segment income	3,133	70,923	64	50,144	-2,022	**122,242**
Segment expenses	-77,002	-175,376	-14,823	-14,523	2,514	**-279,210**
thereof scheduled amortization and depreciation	-2,212	-39,409	-398	-57	0	**-42,076**
thereof impairments	0	-945	0	0	0	**-945**
Segment result	1,930	-3,859	9,610	35,621	0	**43,302**

Sales by category in EUR '000

	1/1 to 6/30/2018
Sales by product type	
Platforms	50,589
Services	9,932
Total	**60,521**
Timing of sales	
Point of time	34,868
Over time	25,653
Total	**60,521**

Since the prior year's figures have not been adjusted in accordance with the transitional provisions of IFRS 15, the figures for the prior year are omitted.

9. Financial commitments, contingent liabilities, other financial commitments and contingent assets

Compared to the consolidated financial statements as of December 31, 2017, financial commitments, contingent liabilities and other financial commitments decreased by EUR 17,241 thousand to EUR 113,090 thousand as of June 30, 2018.

10. Transactions with related parties

Sport1 GmbH generated sales of EUR 1 thousand (6M 2017: EUR 0 thousand) with an associated company in the reporting period. As of June 30, 2018, there is a receivable in the amount of EUR 0 thousand (December 31, 2017: EUR 56 thousand).

From August 23, 2017 to March 31, 2018, Constantin Medien AG was managed as an associated company of Highlight Event and Entertainment AG. Accordingly, the transactions between the Constantin Medien Group and the Highlight Event and Entertainment Group were classified as related party transactions. For the period from January 1, 2018 to March 31, 2018, sales and other operating income amounted to EUR 61 thousand and cost of materials and licenses as well as other operating expenses to EUR 0 thousand. With regard to the sale of Highlight Communications AG shares to Highlight Event and Entertainment AG, we refer to the information in note 6.4.

Constantin Medien AG is controlled and fully consolidated by Highlight Communications AG since March 31, 2018. Highlight Communications AG is again fully consolidated at Highlight Event and Entertainment AG and accordingly Constantin Medien AG is also fully consolidated. In the period from April 1, 2018 to June 30, 2018, sales and other operating income of EUR 163 thousand were generated with the direct parent company Highlight Communications AG and its subsidiaries and with the ultimate parent company Highlight Event and Entertainment AG and its subsidiaries, and cost of materials and licenses as well as other operating expenses of EUR 50 thousand were recognized. As of June 30, 2018, receivables totaled EUR 532 thousand (December 31, 2017: EUR 508 thousand) and liabilities totaled EUR 169 thousand (December 31, 2017: EUR 280 thousand).

11. Events after the reporting period

The Management Board of Constantin Medien AG has no knowledge of events after the reporting period which could have a significant influence on the Constantin Medien Group's net assets, financial position and results of operations.

Ismaning, August 22, 2018
Constantin Medien AG

Olaf G. Schröder	**Dr Matthias Kirschenhofer**
Chief Executive Officer	Chief Officer Legal and Finance

Responsibility Statement

”To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Constantin Medien Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Constantin Medien Group, together with a description of the principal opportunities and risks associated with the expected development of the Constantin Medien Group in the remainder of the financial year.”

Ismaning, August 22, 2018
Constantin Medien AG

Olaf G. Schröder	**Dr Matthias Kirschenhofer**
Chief Executive Officer	Chief Officer Legal and Finance

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