

PANTAFFLIX

HALF-YEAR REPORT

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2019



A vertical photograph of a night sky featuring the Milky Way galaxy. The galaxy's bright, star-filled band stretches diagonally across the upper two-thirds of the frame. Below the sky, a rugged mountain range is visible, with a small, illuminated cabin or building situated in a valley in the lower-left corner. The foreground shows a dirt road and some sparse vegetation. The overall color palette is dominated by deep blues and purples from the night sky, with the warm lights of the cabin and stars providing contrast.

CONNECTING  
CREATORS  
WITH CONSUMERS



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# ABOUT PANTAFLIX AG

PANTAFLIX AG is a media and technology company with a clear growth strategy. Thanks to the efficient interlinking of all corporate divisions, the company achieves a high level of integration in terms of the production, distribution, exploitation and marketing of films and series as well as their associated rights. In addition to the classic film production business PANTALEON Films, music label PantaSounds, brand integration unit March & Friends and creative agency Creative Cosmos 15, the cloud-based video-on-demand platform (VoD) PANTAFLIX also forms part of the Group. The VoD platform focuses on providing users with a tailor-made premium-content offering via all relevant access channels.

PANTAFLIX AG cooperates with well-known partners such as Amazon, Disney, Netflix, StudioCanal, Warner Bros. and others. The Group is present in Berlin, Cologne and Munich.

You can find PANTAFLIX AG on the stock exchange under XETRA ticker symbol PAL and ISIN DE000A12UPJ7.

For further information, visit [www.pantaflixgroup.com](http://www.pantaflixgroup.com) and [www.pantaflix.com](http://www.pantaflix.com).

# PANTAFLIX AG AT A GLANCE

# PANTAFLIX

**PANTAFLIX**  
TECHNOLOGIES



PANTAFLIX AG  
Munich

Holding company for the PANTAFLIX Group

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

PANTAFLIX Technologies GmbH  
Berlin

wholly-owned subsidiary

Global VoD service

PANTALEON Films GmbH  
München

Munich

wholly-owned subsidiary

Rights holder for the  
PANTAFLIX Group

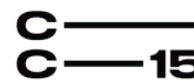
Development, financing,  
exploitation, rights library,  
production

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





**March&Friends.**



PANTALEON Pictures GmbH  
Munich

wholly-owned subsidiary

Contract producer for the  
PANTAFLIX Group

Full-service provider for the  
entire production process

March & Friends GmbH  
Munich

wholly-owned subsidiary

Agency for the  
PANTAFLIX Group

Social media,  
brand integration,  
branded entertainment

PantaSounds GmbH  
Berlin

57,5%-owned subsidiary

Music label for the  
PANTAFLIX Group

Music production,  
rights exploitation

Creative Cosmos 15 GmbH  
Munich

51%-owned subsidiary

Creative agency for  
PANTAFLIX Group

Branded entertainment



A WORLD  
OF PREMIUM  
CONTENT



# DEAR SHAREHOLDERS,



PANTAFLIX AG is in a phase of change. Our aim is to make our Group of companies fit for the future within a lively media market, and thereby benefit as far as possible from the opportunities that present themselves. Looking back, we have not only succeeded in building on the foundation laid in the 2018 financial year, but have also resolutely and successfully continued on our new strategic path. Overall, we have achieved important milestones in the development of new revenue potentials and are firmly convinced that we will achieve many more – and some of them even more quickly than expected. I am pleased to give you an insight into developments in the first half of 2019.

The PANTAFLIX Group generated revenues of EUR 14.5 million in the first half of 2019 compared with EUR 13.8 million in the same period of the previous year. Total operating performance plus other operating income amounted to EUR 7.3 million in the reporting period compared with EUR 8.1 million in the first half of 2018. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved to EUR -1.1 million in the first half of 2019 from EUR -3.1 million in the previous year.

## **HIGH IMPLEMENTATION EXPERTISE – HIGH IMPLEMENTATION SPEED**

It has not even been half a year since we recruited two individuals who are not only proven media & digital experts but also innovative business developers: Thilo Schlüter and Manuel Uhlitzsch. Together with them, we aim to penetrate further attractive business segments and at the same time dovetail all Group divisions to enhance value as part of our overarching strategy. Specifically, we will expand the existing transactional video-on-demand (TVoD) model of our streaming platform [pantaflix.com](https://pantaflix.com) – a payment model for every film or series consumed – to include two additional models. In the future, we will additionally offer advertising-financed content (Advertising Video on Demand/AVoD), which is free of charge for our users. With Subscription Video on Demand (SVoD) – a subscription model – a further access route will exist. Our comprehensive film and series catalog and the opportunity for each customer to consume the content of their choice open up a range of attractive opportunities for us. We are penetrating further streaming markets that offer strong and dynamic sales growth, especially in the Germany, Switzerland and Austria region. At the same time, we continue to clearly differentiate our business model from our competitors, which usually utilise only one retrieval path. As a consequence, everyone benefits in the end: our customers thanks to a tailor-made offering, film and series producers thanks to the flexibility of [pantaflix.com](https://pantaflix.com) as a distribution platform for their content, and PANTAFLIX AG itself.

While our initial goal was to launch the new service elements in the first half of 2020, I am pleased to inform you that [pantaflix.com](https://pantaflix.com) users will be able to access the first advertisement-financed content already this year. It is consequently unlikely that a whole year will elapse from the executive team's implementation to the rollout of the new access options. This reflects not only the high implementation expertise of the entire PANTAFLIX team, but also the high implementation speed that has always distinguished us.

In addition, with PANTAFLIX Studios we will have a small and creative production unit that will devote itself to the production of high-quality PANTAFLIX ORIGINALS and PANTAFLIX EXCLUSIVES in the future. Social media stars with a wide reach will act as protagonists. With the fourth and the fifth season of KRASS KLASSENFAHRT it has been possible to win a successful young series format for the AVoD offer of pantaflix.com in the middle of September. The fourth season will be available exclusively on pantaflix.com from 11 October 2019, which will also be the starting date for the beta phase of the AVoD offer. At the same time, we have secured an initial option on all subsequent seasons of the format for producers, leading actors and YouTube stars Jonas Ems and Jonas Wuttke and their production company Moonvibe. The first productions for both the advertising and subscription-financed products are therefore already in preparation.

#### **NEW RECORDS PLANNED IN 2020**

Owing to the project-related nature of film productions, this business segment is more difficult to forecast. In addition, from time to time shifts may occur as to when productions become effective in terms of revenue recognition. Nevertheless, we intend to build on the success of our 2018 productions and have a pipeline full to bursting with numerous projects at various development stages. With ABIKALYPSE, DEM HORIZONT SO NAH and AUERHAUS, three productions of our subsidiary PANTALEON will be released in 2019.

We have set another milestone with a new series. The production DAS LETZTE WORT is our first cooperation with the US streaming service Netflix. Anke Engelke plays the lead role in the first season, which includes six episodes. The showrunner is Aron Lehmann ("Das schönste Mädchen der Welt").

Furthermore, the core of our activities in the production business is to produce high-quality film and series content from Germany for an international audience. RESISTANCE and DAS LETZTE WORT underline this claim impressively.

2018 was a record production year for PANTALEON Films GmbH. For 2020, it will be possible to achieve new records for film and series projects.

#### **NEW SUPERVISORY BOARD**

To further finance the company's growth, we implemented a cash capital increase from authorised capital in mid-February 2019 as part of a private placement. At the 2019 Annual General Meeting, Austrian entrepreneur and investor Klemens Hallmann was elected to the Supervisory Board of PANTAFLIX AG. Mr. Hallmann also belongs to the circle of PANTAFLIX core shareholders and will profitably support us in our activities with his many years of expertise in the film market and his large and wide-ranging network. We look forward to a trusting partnership.

#### CONTINUING ON THE GROWTH PATH – THE OUTLOOK

Overall, we are optimistic that we will benefit from the dynamic growth and development of the media market. After a year of transition in 2018, we see 2019 as a year heading towards future sustainable and profitable growth. The prospect of the rollout of pantaflix.com's new access routes at the end of 2019 and of another record year for film and series productions in 2020 confirm our positive outlook. In the current fiscal year, we will continue to invest selectively and moderately in corporate growth without losing sight of the cost side. With cash and cash equivalents of EUR 9.1 million at the end of the first half of 2019, we are in a position to finance our expansion plans solidly and respond flexibly to changing market conditions.

According to current project planning, we confirm our forecast and expect a slight increase in revenues for the PANTAFLIX Group in the 2019 fiscal year. As it is never possible to completely rule out delays in film-sector projects, a fluctuation in revenues in the mid to high single-digit range in millions of euros is nevertheless possible. Irrespective of such shifts and higher spending specifically for marketing, sales and technology, our forecast envisages a significant improvement in the (EBIT) operating result. Despite increased expenses, mainly in connection with the expansion of the VoD offering, we expect a significant sequential improvement in earnings in the second half of 2019.

Yours sincerely,



Nicolas Sebastian Paalzow









A TEAM OF  
DIGITAL  
EXPERTS &  
FILM LOVERS

# THE PANTAFLIX AG SHARE

The shares of PANTAFLIX AG have been included in the Scale 30 selection index of the Deutsche Börse since February 2018. PANTAFLIX AG qualifies for inclusion based on its order book turnover at the Xetra and Frankfurt trading centres. The Scale 30 index tracks the price performance of the 30 most liquid shares in the Scale segment.

## SHARE PRICE PERFORMANCE

International stock markets recorded a very positive start to the first half of 2019. US equities led with an average gain of 17.6%, followed by European equities with a gain of 13.6% – calculated on the basis of the MSCI indices and in euros. Despite the intensification of the trade conflict between the USA and China in early May as well as weak economic data, the unexpected turnaround in the monetary policy orientation of leading central banks favoured the positive overall market performance. While the US central bank had planned further interest rate hikes in December 2018, the Federal Reserve (Fed) unexpectedly announced a longer pause in interest rate hikes at its following meeting in January 2019. The European Central Bank (ECB) relaxed monetary policy in March 2019 in light of weak economic data.

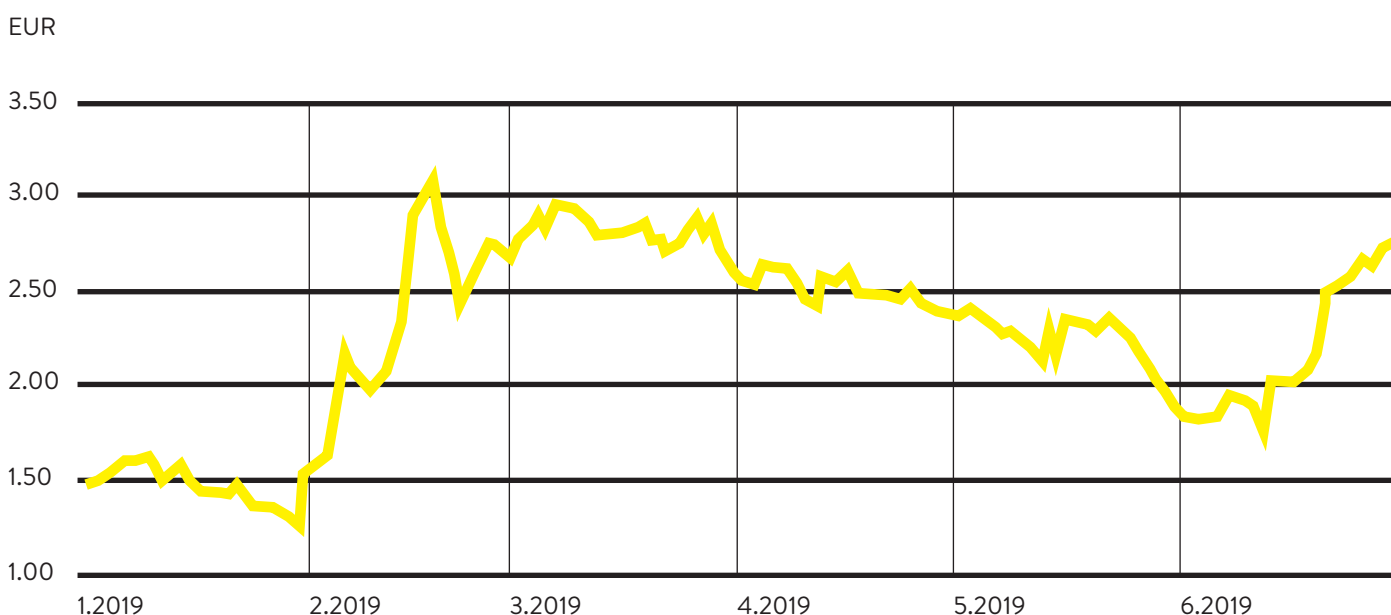
On 2 January 2019, the German Share Index (DAX) opened the stock market year at 10,478 points and reached its highest level in the first half of the year on 20 June 2019 at 12,438 points. On

28 June 2019, the DAX closed at 12,399 points. This corresponds to an increase of 17.2% in the reporting period. The Scale All Share Index, in which the PANTAFLIX AG share is also listed, closed the first half of 2019 with a gain of 6.9% at 1,095 points. The narrower Scale 30 index ended the reporting period with a price appreciation of 15.6%.

Based on positive news flow, the PANTAFLIX AG share even significantly outperformed the Scale 30 index in the first half of the year with a gain of 96.4%. The shares opened the 2019 reporting year on 2 January at a price of EUR 1.39. The high for the first six months was EUR 3.18 on 7 March and the low was recorded at EUR 1.40 on 29 January 2019. The PANTAFLIX AG share closed the first half of the stock market year on 28 June 2019 at EUR 2.73.

## SHARE PRICE PERFORMANCE IN FIRST HALF OF 2019

Opening price	2 January 2019	EUR 1.39
Low	29 January 2019	EUR 1.40
High	7 March 2019	EUR 3.18
Schlusskurs	28 June 2019	EUR 2.73
Market capitalisation		EUR 41.96 million
Price performance		+ 96,4%



In the first half of the reporting year, the average daily trading volume in PANTAFLIX shares on all German stock exchanges amounted to 65,434 shares compared with 77,349 shares in the previous year.

As of 28 June 2019, the market capitalisation amounted to EUR 41.96 million based on 15,373,050 shares. As of the 2018 balance sheet date (28 December 2018), the market capitalisation amounted to EUR 19.3 million based on 13,975,500 shares and a closing price of EUR 1.38 (all data based on Xetra prices).

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

## SHARE INFORMATION

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

## INVESTOR RELATIONS

In the period under review, the Management Board held numerous discussions with investors, financial analysts and representatives of the financial and business press. In addition, the Management Board presented business trends at the Hauck & Aufhäuser Stockpicker Summit held in Madrid in May 2019.

## ORDINARY ANNUAL GENERAL MEETING

The Ordinary Annual General Meeting of PANTAFLIX AG was held on 23 July 2019 in Munich. The shareholders approved by large majorities the actions of the Management Board and the Supervisory Board and adopted the management's proposals for all agenda items. The Annual General Meeting focused on the re-election of the Supervisory Board. Marcus Machura and Marc

Schönberger were re-elected to the Supervisory Board. Klemens Hallmann was newly elected to the Supervisory Board. Together with his Hallmann International Investment GmbH, he is a core shareholder of PANTAFLIX AG and holds around 13% of the shares in PANTAFLIX AG. Klemens Hallmann is the founder and owner of the Vienna-based, internationally active Hallmann Corporate Group, which focuses primarily on real estate and acquisitions. Mr. Hallmann is also the owner of Hallmann Entertainment Company and a core shareholder in Filmhouse Germany AG as well as the producer of numerous international documentary and film projects. The term of office of the newly elected Supervisory Board members Klemens Hallmann, Marcus Machura and Marc Schönberger ends with the Annual General Meeting which approves the discharge for the 2023 fiscal year. At the constitutive meeting following the Annual General Meeting, the Supervisory Board appointed Marcus Machura as Chairman and Marc Schönberger as Deputy Chairman.

The results of the votes held at the 2019 Annual General Meeting are available to download at [www.pantaflixgroup.com](http://www.pantaflixgroup.com).

## CASH CAPITAL INCREASE

On 18 February 2019, the Management Board, with Supervisory Board approval, passed a resolution to increase the company's share capital by issuing 1,397,550 new no-par value bearer shares (equivalent to 10% of the previous share capital) against cash capital contributions, making partial use of the existing authorised capital of EUR 13,975,500 and excluding shareholders' subscription rights. The new shares are dividend-entitled from 1 January 2018. The 1,397,550 new shares were placed by way of a private placement excluding subscription rights. As a consequence, the share capital increased to EUR 15,373,050 in the first half of the year with a total of 15,373,050 shares.

## SHAREHOLDER STRUCTURE

The company is aware of the shares that must be disclosed pursuant to Section 20 (5) of the German Stock Corporation Act (AktG). Around 50% of the PANTAFLIX shares are held by the management, BlackMars Capital GmbH and the PANTAFLIX founding shareholders Marco Beckmann, Dan Maag and Matthias Schweighöfer. Via Hallmann International Investment GmbH, Klemens Hallmann is core shareholder of PANTAFLIX AG and holds around 13% of the shares in PANTAFLIX AG. The free float amounts to 37%.

## FINANCIAL CALENDAR 2019

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27 September 2019

Baader Investment Conference

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19 November 2019

Deutsche Börse Cash Market Investor Targeting, Madrid

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25 - 27 November 2019

German Equity Forum, Frankfurt/Main

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11 December 2019

MKK - Munich Capital Market Conference, Munich

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# GENERAL ECONOMY AND SECTOR

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

The rate of expansion of the world's economy continued to be moderate in the first half of 2019. According to the International Monetary Fund (IMF), escalating trade disputes and the continuing uncertainty surrounding Brexit exerted a negative impact. The IMF also sees the trade dispute as an obstacle to the development and growth of the technology sector. Growth in industrialised countries surprised on the upside, while activities in emerging and developing countries were weaker. After an adjustment of 0.1 percentage points compared with the April forecast, the IMF expects global economic output to increase by 3.2% in 2019 and by 3.5% in 2020.

With the expected easing of special burdens (particularly new emission standards), which had slowed Eurozone growth in the previous year, the IMF upgraded its forecast (in each case by 0.1 percentage points compared to its April forecast) to 1.3% for 2019 and to 1.6% for 2020.

Due to weaker foreign demand, which also affected investment activity, the IMF slightly downgraded its forecast for Germany by 0.1 percentage points and expects economic growth of 0.7% in 2019. For 2020, an increase of 0.3 percentage points compared with the April forecast is expected, with growth of 1.7%.

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

According to management consultancy PwC, sales in the global entertainment market are expected to increase by an average of 4.5% annually to USD 2.6 trillion between 2018 and 2023.

International box office takings are expected to exceed USD 50 billion by 2023.

In digital home entertainment, PwC expects new entrants to challenge the dominance of services such as Netflix and Amazon, while large streaming services will compete for subscriber numbers in international markets. Sales in the global VoD market are expected to double to USD 72.8 billion by 2023. According to PwC, consumers' increasing expectation of obtaining all services from a single provider will favour the integration of different streaming platforms into traditional providers' offerings. This creates further potential for the PANTAFLIX Group's series and film production, which offers corresponding content to streaming providers, in addition to the steadily increasing number of various VoD providers worldwide.

According to the German Federal Film Board (FFA), the German cinema market recovered in the first half of 2019, reporting a 5.1% increase in cinemagoers to a total of 53.7 million compared to the same period last year. In parallel with this, overall sales were up by around 5% to EUR 461.5 million. While German films' market share remained stable at 23.1%, the influence of US productions decreased for the third year in succession. With a market share of 54.8%, less than 30 million tickets for US films were sold for the first time since the start of exploitation in 2005. According to the FFA, autumn 2019 is more than promising given the expectation of numerous blockbusters from Germany, including the productions DEM HORIZONT SO NAH and AUERHAUS by PANTAFLIX subsidiary PANTALEON Films.

According to investment banking and securities firm Goldman Sachs, the global music industry is expected to grow to USD 45 billion by 2030. This corresponds to an average growth rate of around 9% compared to the total revenue of USD 19.1 billion reported by the International Federation of the Phonographic Industry (IFPI) in 2018. By 2030, paid subscription revenues are expected to increase by an average of 14.5% per year to reach USD 27.5 billion and almost double their share of the total music market to over 60% (2018: 33%).

# COURSE OF BUSINESS

## RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Business activities in the first half of 2019 focused on the expansion of the Group strategy and the associated identification of further sales markets in the streaming sector. The PANTAFLIX Group set up an Executive Team in order to enhance implementation expertise. Thilo Schlüter, who has also assumed the Chief Operating Officer (COO) position, and Manuel Uhlitzsch have been members of this team since spring 2019. Mr. Schlüter and Mr. Uhlitzsch are two proven digital and media experts as well as experienced business developers. The first measures to expand the strategy consist in supplementing the access path to the pantaflix.com streaming platform to include a subscription model (SVoD) and an advertising-financed model (AVoD). AVoD the beta phase is expected to be launched with "Kross Klassenfahrt" on 11 October 2019. At the same time, the strategy is to expand the existing PANTAFLIX premium content. By means of its new PANTAFLIX Studios production unit, the Group is bundling production and marketing expertise in order to realize its own productions (ORIGINALS) in different format lengths with protagonists with a high social media reach. The efforts to establish pantaflix.com in the area of professional users are progressing in parallel to the strategic expansion.

In the production business, which is bundled within the PANTALEON Films subsidiary, the pipeline continues to be filled with numerous projects. With ABIKALYPSE, DEM HORIZONT SO NAH and AUERHAUS, three productions will be released in 2019. PANTALEON Films is also realizing its first serial production for the US streaming service Netflix with the six-part series DAS LETZTE WORT. RESISTANCE and DAS LETZTE WORT underscore the aim of offering high-quality productions from Germany to an international audience.

In order to further finance the company's growth, PANTAFLIX AG implemented a cash capital increase from authorized capital in mid-February in the form of a private placement. At the 2019 Annual General Meeting, which was held after the end of the period under review, Austrian entrepreneur and investor Klemens Hallmann was elected to the Supervisory Board of PANTAFLIX AG. Mr. Hallmann also belongs to the group of PANTAFLIX core shareholders and currently holds around 13% of the shares in PANTAFLIX AG.

The music production activities of PantaSounds GmbH made a comparatively small contribution to revenue of EUR 394 thousand.

The Group generated revenues of EUR 14,500 thousand in the first half of 2019 and total operating performance plus other operating income of EUR 7,326 thousand. In the previous year, the comparative figures for revenues amounted to EUR 13,847 thousand and total operating performance to EUR 8,055 thousand. Overall, total operating performance reduced. Viewed in isolation, revenues grew. Thanks to the completion of commissioned productions, inventories of finished goods and work in progress decreased, and consequently also our total operating performance.

The revenues were largely generated in Germany.

The cost of materials reduced in the first half-year from EUR 4,971 thousand in 2018 to EUR 3,574 thousand in 2019. This item comprises co-producers' shares in revenues from licensing film rights and follow-up costs for completed projects.

Personnel expenses rose from EUR 2,796 thousand in the first half of the previous year to EUR 3,271 thousand. In addition to the usual personnel expenses, this figure in the reporting period included severance payments. The average number of employees as of 30 June decreased from 115 in 2018 to 98 in 2019, reflecting both permanent and project-related employees.

Depreciation and amortization amounted to EUR 5,191 thousand in the half-year period, up EUR 3,986 thousand on the previous year's EUR 1,205 thousand. Depreciation and amortization chiefly consists of amortization of internally generated intangible fixed assets (EUR 4,937 thousand). Amortization of purchased intangible fixed assets and depreciation of tangible fixed assets play only a minor role.

EBITDA thereby amounted to EUR -1,065 thousand in the first half of the year. EBIT in the first six months of the current fiscal year stood at EUR -6,256 thousand.

Taxes on income amounted to EUR 26 thousand in the first half of 2019.

As of 30 June 2019, consolidated total assets stood at EUR 27,153 thousand (31 December 2018: EUR 40,286 thousand). The asset structure of the PANTAFLIX Group has shifted: fixed assets increased by EUR 1,864 thousand compared to the previous year. Meanwhile, current assets decreased from EUR 31,674 thousand to EUR 16,683 thousand.

The rise in fixed assets relates mainly to the capitalization of rights to films that have not yet been completed.

The reduction in current assets reflects the following changes: inventories decreased due to completions of contract productions. In addition, cash and cash equivalents from general business activities reduced from EUR 13,903 thousand to EUR 9,130 thousand. Receivables and other assets decreased from EUR 9,270 thousand in the first half of 2018 to EUR 7,332 thousand in the reporting period.

Equity stood at EUR 13,734 thousand as of the balance sheet date (31 December 2018: EUR 17,124 thousand). The equity ratio increased to 51% as of 30 June 2019 (31 December 2018: 43%).

Provisions amounted to EUR 1,292 thousand as of 30 June 2019 and were thereby higher than the previous year's EUR 853 thousand. Other provisions relate mainly to outstanding invoices, remaining holiday obligations and expenses for preparing and auditing financial statements.

In the first half of 2019, liabilities to banks amounted to EUR 4,995 thousand due to film projects still in production and projects concluded but not yet accounted for as of the reporting date (31 December 2018: EUR 4,870 thousand). Trade payables amounted to EUR 1,225 thousand. Other liabilities decreased from EUR 5,494 thousand to EUR 1,323 thousand in the reporting period.



# REPORT ON RISKS, OPPORTUNITIES AND OUTLOOK

## OVERALL RISK

As of the date of the preparation of the interim report for the first half of 2019, the Management and Supervisory boards were not aware of any risk due to insolvency or overindebtedness that could jeopardize the company as a going concern. The development of the Group's financial position and performance depends on various different opportunities and risks that are typical for the industry. Their effects on the financial position and performance are not quantified internally, as their event risk is difficult to forecast.

A detailed presentation of the opportunities and risks of our business is provided in the Group management report of PANTAFLIX AG for the 2018 fiscal year, starting on page 37. In our opinion, the other significant risks for the Group have not changed since the 2018 annual report.

## FUTURE DEVELOPMENT OF THE PANTAFLIX GROUP – FORECAST

In the Management Board's opinion, the PANTAFLIX Group is very well positioned to continuously expand its market position. The company is benefiting from high demand of consumers for film and series productions, which are also distributed to users via the pantaflix.com VoD platform.

In addition to the further expansion of the video-on-demand sector and its diversification through a broad range of premium content and flexible access channels, an additional focus in the current fiscal year will be on the further scaling of promising in-house productions in the film and series area. This will be accompanied by the internationalization of PANTALEON Films' production operations and the Group's greater extent of links along the value chain. The first measures were already defined in the first half of 2019. These address the product range as well as other access routes to the VoD platform – in other words, the SVoD and AVoD services – in order to efficiently tap further revenue potential.

The current 2019 fiscal year is a year of transition on the path to sustainable and profitable growth. Due to the postponement of high-end film projects into the following year, as is typical for the industry, a slight decline in the production business cannot be completely ruled out.

After a record year in 2018, PANTALEON Films GmbH has again set a new record for film and series projects in 2020. The strategic expansion of the video-on-demand business at PANTAFLIX Technologies GmbH is also progressing more rapidly than planned. As a consequence, already this year the pantaflix.com platform will offer viewers in Germany the first advertising-financed films and series (AVoD). The first PANTAFLIX EXCLUSIVES and PANTAFLIX ORIGINALS for both advertising and subscription-financed offers are in preparation or in production at the PANTAFLIX Studios unit. It is gratifying that the music industry is very interested in Matthias Schweighöfer's second album after "Lachen, Weinen, Tanzen". Label talks with the PANTAFLIX subsidiary PantaSounds are drawing to a conclusion and preparations for a new concert tour for the year 2020 are already underway. Creative agency CC15 will focus this year on continuing its partnership with Daimler AG, which was already established in 2018, following two successful projects to date. Moreover, further projects with new customers are in preparation for this fiscal year.

As a consequence, 2020 is likely to be a new record year in terms of production and successful monetization of both B2C and B2B VOD activities. The secondary business areas of music and branded entertainment will also continue to grow.

According to current project planning, we confirm our forecast and expect a slight increase in revenues for the PANTAFLIX Group in the 2019 fiscal year. As it is never possible to rule out entirely delays in projects within the film sector, a fluctuation in revenues in the mid to high single-digit range in millions of euros is nevertheless possible. Irrespective of such shifts as well as higher spending specifically for marketing, sales and technology, our forecast envisages a significant improvement in the (EBIT) operating result. Despite increased expenses, mainly in connection with the expansion of the VoD offering, we expect a significant sequential improvement in earnings in the second half of 2019.

# CONSOLIDATED BALANCE SHEET

as of 30 June 2019

PANTAFLIX AG

ASSETS	30 Jun 2019	31 Dec 2018
	EUR	EUR
<b>A. FIXED ASSETS</b>		
<b>I. Intangible assets</b>		
1. Self-created industrial property rights and similar rights and assets	2,073,398.00	2,233,289.00
2. Acquired concessions, industrial property rights and similar rights and assets, as well licenses to such rights and assets	466,786.08	622,031.48
3. Goodwill	168,192.00	177,077.53
4. Advance payments on self-created industrial property rights and similar rights and assets	7,458,600.59	5,243,190.37
	<u>10,166,976.67</u>	<u>8,275,588.38</u>
<b>II. Tangible assets</b>		
1. Technical equipment and machines	45,543.76	65,662.00
2. Other equipment, operating and office equipment	139,791.32	147,224.00
	<u>185,335.08</u>	<u>212,886.00</u>
	<u>10,352,311.75</u>	<u>8,488,474.38</u>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Work in progress	182,310.82	8,462,444.32
2. Advance payments received	38,250.00	38,250.00
	<u>220,560.82</u>	<u>8,500,694.32</u>
<b>II. Receivables and other assets</b>		
1. Trade receivables	6,312,599.20	7,636,812.82
2. Other assets	1,019,808.47	1,632,831.67
	<u>7,332,407.67</u>	<u>9,269,644.49</u>
<b>III. Cash-in-hand and bank balances</b>	<u>9,129,963.44</u>	<u>13,903,226.24</u>
	<u>16,682,931.93</u>	<u>31,673,565.05</u>
<b>C. PREPAID EXPENSES</b>	<u>117,379.04</u>	<u>123,499.17</u>
	<u><b>27,152,622.72</b></u>	<u><b>40,285,538.60</b></u>

EQUITY AND LIABILITIES	30 Jun 2019	31 Dec 2018
	EUR	EUR
<b>A. EQUITY</b>		
I. Subscribed capital	15,373,050.00	13,975,500.000
II. Capital reserves	17,994,985.34	16,499,606.84
III. Revenue reserves		
Legal reserve	14,268.80	14,268.80
IV. Consolidated unappropriated net loss	-19,333,511.68	-13,125,866.73
	14,048,792.46	17,363,508.91
V. Non-controlling interests	-315,021.65	-239,607.23
	13,733,770.81	17,123,901.68
<b>B. PROVISIONS</b>		
Other provisions	1,292,224.94	853,154.78
	1,292,224.94	853,154.78
<b>C. LIABILITIES</b>		
1. Liabilities to banks	4,994,857.77	4,870,304.80
2. Prepayments received on orders	3,932,994.20	10,665,520.65
3. Trade payables	1,224,863.70	584,664.73
4. Other liabilities		
of which taxes EUR 291,313.45		
(previous year: EUR 322,616.87)	1,323,201.30	5,494,061.96
	11,475,916.97	21,614,552.14
<b>D. DEFERRED TAX LIABILITIES</b>	650,710.00	693,930.00
	<b>27,152,622.72</b>	<b>40,285,538.60</b>

# CONSOLIDATED INCOME STATEMENT

for the period from 1 January to 30 June 2019

	1 Jan-30 Jun 2019	1 Jan-30 Jun 2018
	EUR	EUR
1. Revenue	14,500,498.69	13,847,221.56
2. Decrease in work in progress	-8,280,133.50	-6,269,705.50
3. Other own work capitalised	214,464.44	0.00
4. Other operating income	891,354.58	477,139.42
5. Costs of materials		
Cost of purchased services	3,574,377.10	4,970,522.45
6. Personnel expenses		
a) Wages and salaries	2,887,330.51	2,427,458.52
b) Social security and post-employment and other employee benefit costs of which for post-employment benefit costs EUR 6,099.75 (previous year: EUR 7,528.98)	383,274.77	368,899.13
	<u>3,270,605.28</u>	<u>2,796,357.65</u>
7. Depreciation, amortization and extraordinary write-downs of tangible and intangible fixed assetst	5,191,084.32	1,204,508.18
8. Other operating expenses	1,546,036.66	3,417,809.56
9. Other interest and similar income of which to affiliated companies EUR 0.00 (previous year: EUR 0.00)	0.00	4,118.39
10. Interest and similar expenses	1,365.95	1,465.97
11. Taxes on income of which deferred taxes EUR -43,220.00 (previous year: EUR 0.00)	25,774.27	22,268.80
12. Earnings after taxes	<u>-6,283,059.37</u>	<u>-4,354,158.74</u>
<b>13. Consolidated net loss for the year</b>	<b><u>-6,283,059.37</u></b>	<b><u>-4,354,158.74</u></b>
14. Non-controlling interests in net result	75,414.42	110,597.39
15. Consolidated net loss	<u>-6,207,644.95</u>	<u>-4,243,561.35</u>
16. Consolidated net loss carried forward	<u>-13,125,866.73</u>	<u>-4,258,799.12</u>
17. Consolidated unappropriated net loss	<u>-19,333,511.68</u>	<u>-8,502,360.47</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## I. GENERAL INFORMATION

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

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

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

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

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

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

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

## II. CONSOLIDATION METHODS AND CONSOLIDATED GROUP

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

### Fully consolidated companies

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

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

\* Wholly-owned subsidiary of PANTALEON Films GmbH

### Consolidation methods

The fiscal year of the Group and of all its consolidated entities is the calendar year, as a consequence of which the reporting date of the separate financial statements of all entities included in the consolidated financial statements is the same as the reporting date of the consolidated financial statements.

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

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

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

## III. ACCOUNTING POLICIES

The accounting policies applied to the PANTAFLIX Group's interim consolidated financial statements are consistent with those presented in the consolidated financial statements as of 31 December 2018. For this reason, the interim consolidated financial statements as of 30 June 2019 are to be read in conjunction with the consolidated financial statements for the fiscal year ending 31 December 2018.

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

Intangible assets include borrowing costs of EUR 300 thousand (31 December 2018: EUR 250 thousand) capitalized as costs of production.

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

Other provisions relate mainly to outstanding invoices. Costs for the preparation and auditing of the financial statements are also reported.

Bank balances of EUR 200 thousand are restricted as of 30 June 2019.

Deferred tax assets on loss carryforwards are not capitalized due to uncertainties regarding the future non-usability of the loss carryforwards as of 30 June 2019. The deferred tax liabilities (EUR 651 thousand) arose entirely from the recognition of internally generated intangible assets in fixed assets in the form of copyrights to film titles.

#### V. NOTES TO THE INCOME STATEMENT

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

#### VI. OTHER DISCLOSURES

• Management Board  
NICOLAS SEBASTIAN PAALZOW  
Business executive

• Supervisory Board  
MARCUS BORIS MACHURA  
Lawyer, Chairman of the Supervisory Board

• MARC SCHÖNBERGER  
Lawyer, Deputy Chairman of the Supervisory Board

• KLEMENS HALLMANN  
Managing Director, HALLMANN HOLDING International Investment GmbH, Vienna (since 23 July 2019)

• EERIK BUDARZ  
Chief Investment Officer / Fund manager (until 23 July 2019)

#### VII. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

At the Annual General Meeting of PANTAFLIX AG on 23 July 2019, Mr. Klemens Hallmann, Managing Director of HALLMANN HOLDING International Investment GmbH and core shareholder of PANTAFLIX AG, was elected to the Supervisory Board.

Munich, 25 September 2019

The Management Board



Nicolas Sebastian Paalzow

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# FINANCIAL CALENDAR 2019

27 September 2019

Baader Investment Conference

19 November 2019

Deutsche Börse Cash Market Investor Targeting, Madrid

25 - 27 November 2019

German Equity Forum, Frankfurt/Main

11 December 2019

MKK - Munich Capital Market Conference, Munich

# NOTE ON LIABILITY

# PANTAFLIX

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