



ANNUAL REPORT

2017



RETHINKING
ENTERTAINMENT

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PANTAFLIX AG ANNUAL REPORT



PANTAFLIX AG is one of the fastest growing media companies in Europe. Consisting of the video-on-demand platform (VoD) PANTAFLIX, the traditional film production division PANTALEON Films and PANTALEON Pictures, the music label PantaSounds and the brand integration unit March & Friends, the Group pursues a 360-degree approach to the production, distribution, exploitation, and marketing of films and series as well as their rights. The company's high growth dynamics stems from its progressive distribution model for international film productions on PANTAFLIX.

PANTAFLIX already provides content to film and series consumers all over the world. PANTAFLIX AG has cooperation agreements with renowned partners such as Amazon, Warner Bros., Disney, StudioCanal and Sun Seven Stars Media. In its German home market, the group is based in Berlin, Cologne, Munich, and Frankfurt/Main.

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

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

PANTAFLIX AG OVERVIEW

Headquarters
PANTAFLIX AG,
Holzstraße 30, 80469 Munich

Year founded
2009

Industry
Technology / VoD / Entertainment / Cinema

Management Board
Dan Maag (CEO, Chairman until 22 April 2018)
Stefan Langefeld (since 1 May 2017, COO, Member /
since 22 April 2018, CEO, Chairman)
Nicolas Paalzow (since 1 November 2017, CPO, Member)

Supervisory Board
Mathis Schultz (Chairman)
Marcus Machura (Vice Chairman)
Marc Schönberger (Member)

Business Year
1 January till 31 December 2017

International Accounting Standard (IAS)
German Commercial Code (HGB)

Subsidiaries till 31 December 2017
(wholly-owned)
PANTALEON Films GmbH, Munich
PANTALEON Pictures GmbH, Munich
PANTAFLIX Technologies GmbH, Berlin
March & Friends GmbH, Munich
The Special Squad UG, Munich
(wholly-owned subsidiary of PANTALEON Films GmbH)

Subsidiaries till 31 December 2017
(72.5 %-owned)
PantaSounds GmbH, Munich



March&Friends.





DEAR SHAREHOLDERS,

The positive tenor of the half-year figures we published in September continued and intensified over the rest of 2017, so it is with great pleasure that I report to you with the results of our successful 2017 financial year.

A very noticeable external symbol of the development of our company is of course our new name, as PANTALEON Entertainment AG is now called PANTAFLIX AG. The name was officially entered into the commercial register on 18 August. At the Annual General Meeting in July 2017, you, dear shareholders, gave literally 100% approval to this renaming.

We also continued to take shape in terms of personnel. In the last financial year, we reinforced our PANTAFLIX team with even more experts. In particular, this includes the hiring of Stefan Langefeld, who has had full responsibility for our digital business as Chief Digital Officer and COO of PANTAFLIX AG since May 2017. Mr Langefeld has more than 15 years of experience in the media and IT industry as a founder and manager, including around nine years in management positions at Apple. Projects for which he was responsible included the launch of iTunes Video on German-speaking markets in Europe and more than 50 key emerging markets such as India, Africa, Russia, Turkey and the Middle East.

In addition, we augmented our Management Board in November with the former Sat.1 and ProSieben manager Nicolas Paalzow. Mr Paalzow has since held the position of Chief Production Officer (CPO) and shares responsibility for our Group's production activities with me.

We can offer an entirely positive summary of the 2017 financial year. A look at the figures published in this annual report clearly illustrates the dynamic development in the reporting period. With growth of 166%, we increased our total output to EUR 41.5 million.

We took further crucial steps in the establishment and roll-out of our video-on-demand platform PANTAFLIX. Via numerous applications for various platforms and devices and an extremely user-friendly website, we have already achieved wide technical reach in Europe and America, as well as in individual Asian countries, in the year after the initial launch.

The stated aspiration of our PANTAFLIX platform is to turn the local film distribution business into a global one, to break down the territorial barriers for marketing film productions and to enable global marketability with a single "click". This means nothing less than fundamentally altering the rules and mechanisms of an industry that has grown up over 100 years.

Such an upheaval can only succeed if the customers are on our side and we delight them on every visit. It is imperative to continuously optimise our offering. In the past year, we have steadily increased the usability for our customers. This includes a registration process with low barriers, a large selection of payment options, such as PayPal, and multilingual menus. In addition to German and English, our software engineers and

designers have introduced French, Polish and Turkish as well as Mandarin as system languages. As well as the iOS version, an Android version of the PANTAFLIX app has also been available since February 2017, and the most common smart TVs are now also ready for PANTAFLIX – so our technical availability is over 95%. The positive user experience for our customers is rounded off by in-app downloads. This means the option to download entire films and series to then watch them without internet access, for example on an airplane. Thanks to our partner Amazon, PANTAFLIX is also represented by an app on the innovative Fire TV stick, where it reaches numerous additional households.

In addition to convincing technology, we can report extensive content deals with major film distributors: Since the beginning of February 2018, consumers in Germany and Austria have been able to consume a broad range of films from the US studio DISNEY via our service. A short while later, we expanded the selection on our platform with the no less high-quality productions of the French studio STUDIOCANAL.

We are proud to have brought these large and prestigious production companies on board in such a short time. The partnerships validate our stated objective of becoming the world's leading film industry VoD service.

Nevertheless, dear shareholders, we are still only just starting out on a long journey. We are certain that we will be able to add more exciting content from more producers soon. We have developed much quicker than planned in this area – in our original planning, we did not expect such extensive partnerships to be possible for another few years.

In contrast, other steps in our development are taking longer than expected. For example, we are endeavouring to provide 50 million expatriate Chinese citizens with films and series from their home country as quickly as possible. However, while our full service has been available in Mandarin since October last year, we are only obtaining the necessary content from partnerships with Chinese partners very slowly. We are of course working hard to speed up these processes.

In many respects, our platform is now ready for the market. We commenced an extensive marketing campaign some weeks ago. We now count a six-figure user base, and are growing fast. It is nice to see that customers appreciate our service and are using it more and more. It is also important to us that the film industry is responding to our offer very respectfully and, thus, we are acquiring more and more important partners.

Our production business is of course another important part of our success story.

With the series *You Are Wanted*, we were the first German company to produce a global series for Amazon. The first season started simultaneously in over 200 countries in mid-March 2017, in 70 of which *You Are Wanted* ended up as one of the five most-watched series. Straight after this wonderful


world première, we agreed to produce a second season with Amazon and our partner Warner Bros. Shooting was completed in January 2018 and we are now looking forward to the world première in Los Angeles in May.

The achievements of 2017 also include other series productions for Amazon as well as successful cinema and TV projects. Besides the production of these titles, we also of course benefit from their extensive exploitation. For example, we exploited our action comedy Hot Dog extremely successfully around the world in addition to a successful cinema release in Germany, Austria and Switzerland. As well as in Japan, the Middle East, Taiwan and Spain, the film will also be exploited via our network in China, which we are of course particularly happy about.

The cinema release of our currently largest production, 100 Things, in December 2018 will surely be just as exciting. It is currently being filmed in Berlin and Poland. With Florian David Fitz and Matthias Schweighöfer in the lead roles, this is another title for a very broad target group, following on from their first collaboration in our production The Most Beautiful Day.

All of these substantial developments and the steady expansion of our company into one of the most innovative providers of content and distribution technology are due exclusively to our excellent team. I would therefore like to take this opportunity to especially thank the employees throughout Pantaflix AG and its subsidiaries for their dedication and commitment in the past year. Together, we have already achieved a lot that we can be proud of, and 2018 will be no less successful. My sincerest thanks on behalf of the entire Management Board also go to you, dear shareholders, for your support and your trust.

Kind regards,
Dan Maag




P.S. DEAR SHAREHOLDERS,

in the wake of the recent changes, I would like to take this opportunity to personally address you as the new CEO of PANTAFILIX AG. Effective immediately, Dan Maag has stepped down from the Management Board of PANTAFILIX AG by mutual arrangement at the end of April. Moving ahead, he will again dedicate himself more fully to the Group's production activities.

I am delighted to be able to implement the next phase in the evolution of this magnificent Company, and to have the privilege of helping to transform the Group into a leading digital corporation.

But first, however, I would like to explicitly thank my predecessor Dan Maag for his wonderful work over the last few years. As a co-founder and member of the Management Board, Dan Maag built this company up from the first hour. His unique expertise and tireless work have been instrumental in driving this Company forward, and it has been his passion for film as a medium that made the successful productions of recent years possible. Very early on, Dan Maag also recognised the untapped potential that lays in our digital business of PANTAFILIX and, hence, began making the project of a global video-on-demand platform reality.

In short, without him PANTAFILIX AG would not be the success it is today.

On behalf of everyone who has worked with him, I offer my sincerest thanks to Dan Maag. And I am very pleased that he will still be on hand to the Company in order to assist us during this crucial period, and that he will keep on advancing our Group's production activities.

Sincerely,
Stefan Langefeld



A hand is shown holding a smartphone. The screen of the phone displays a world map projection. The map is glowing with a warm, golden light, and the continents are clearly visible. The background is a blurred office setting with other people's hands visible, suggesting a collaborative work environment. The overall mood is professional and global.

PANTAFLIX
ONE WORLD
ONE SCREEN

DEAR SHAREHOLDERS,

In the following report, the Supervisory Board would like to inform you about its activities in the 2017 financial year.

Supervisory Board activity in the 2017 financial year

In the 2017 financial year, the Supervisory Board addressed the course of business and the results of operations and financial position of the Company on an ongoing basis in accordance with the tasks and responsibilities incumbent upon it according to the law and the Articles of Association. It regularly advised the Management Board on its intended business policy and other fundamental issues and supervised its management of the Company. Standards for this supervision were the legality, compliance, functionality and efficiency of the management. The Supervisory Board received information on key business transactions both verbally and in writing as part of regular reporting in accordance with section 90 of the German Stock Corporation Act. This was also the case outside of Supervisory Board meetings.

The Supervisory Board came together at a total of fourteen [14] meetings during the reporting period. In those meetings, they discussed the situation of the Company, the annual financial statements of the Company, the strategy and the risk controlling system of the Management Board and the human resources situation in detail. Each of the meetings was attended by all of the members of the Supervisory Board. For individual items of the Supervisory Board meetings, the Management Board and other employees were invited as guests to present issues and answer any questions arising.

In addition, the Supervisory Board was in regular contact with the Management Board outside the Supervisory Board meetings and ensured that it was comprehensively informed about the current course of business and significant business transactions. The Supervisory Board also examined key individual business transactions and resolved on matters requiring its approval. All approval requiring choices and actions were discussed extensively, decisions were made under consulting and under the consequent proposed resolution of the Management Board.

This meant the Supervisory Board performed the tasks allocated to it by the law and the Articles of Association. There were no conflicts of interest between the Management Board and the members of the Supervisory Board or any indications of such conflicts in the past financial year.

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

Among other things, the meetings discussed the following topics and passed the following resolutions:

The Supervisory Board meeting on 9 January 2017 resolved to appoint Mr. Stefan Langefeld as an additional member of the Management Board with effect from 1 May 2017.

On 31 January 2017, the Supervisory Board resolved to approve the resolution of the Management Board on the partial utilisation of Authorised Capital 2014/I.

The Supervisory Board meeting on 13 February 2017, which was attended by all the members of the Supervisory Board as well as Dan Maag, member of the Management Board, primarily discussed the Management Board's report on the current business development of the company and its subsidiaries.

At the meeting held in person on 30 May 2017, the audited annual financial statements of the company for the year ended 31 December 2016 and the voluntary consolidated financial statements and Group management report for the year ended 31 December 2016 were discussed together with the auditor of the financial statements and Dan Maag, member of the Management Board, and were approved. In addition, the rules of procedure of the Management Board issued on 18 December 2014 were revised and Dan Maag, member of the Management Board, was appointed as Chief Executive Officer. The meeting also resolved on the report of the Supervisory Board for the 2016 financial year.

On 12 October 2017, the Supervisory Board resolved to approve the resolution of the Management Board on the partial utilisation of Authorised Capital 2017.

The Supervisory Board meeting on 23 October 2017 resolved on the appointment of Mr. Nicolas Paalzow as an additional member of the Management Board of the company.

Audit and adoption of the annual financial statements

VOTUM AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main, audited the annual financial statements of PANTAFLIX AG for the year ended 31 December 2017 and the voluntarily prepared consolidated financial statements and Group management report for the year ended 31 December 2017 in accordance with the German Commercial Code (HGB) and issued them with an unqualified audit opinion in each case. The consolidated financial statements and Group management report were prepared on a voluntary basis in accordance with the provisions of the HGB and the German Stock Corporation Act. In its report, the auditor presented the risk management

and monitoring system adopted by the Management Board and found it to be suitable for identifying developments that could jeopardize the continued existence of the Company at an early stage.

The Supervisory Board examined the annual financial statements and the consolidated financial statements and Group management report of PANTAFLIX AG for the year ended 31 December 2017 with a particular view to their legality, compliance and functionality and discussed the documents forming the basis for the draft audit report in detail with the Management Board and with the participation of the auditor. At the Supervisory Board meeting on 26 April 2018, the auditor reported on the results of its audit as a whole and the individual focal points of its audit. It subsequently answered the questions of the Supervisory Board members. The members of the Supervisory Board took note of and critically evaluated the audit reports and the audit opinions, and discussed them with the auditor along with the audits themselves, which included questions on the nature and scope of the audit and on the results of the audit. The Supervisory Board was satisfied with the compliance of the audits and the audit reports with the regulations. The Supervisory Board subjected the annual financial statements and the consolidated financial statements and Group management report to its own comprehensive review. We concur with the results of the audit.

The Supervisory Board conducted a final examination of the annual financial statements and the consolidated financial statements and Group management report of PANTAFLIX AG for the year ended 31 December 2017, taking the auditor's reports into account, and raised no objections based on the results of its examination. The Supervisory Board approved the annual financial statements prepared by the Management Board at a physical meeting with a corresponding resolution on 26 April 2018, meaning that the annual financial statements are adopted.

In addition, the Supervisory Board approved the consolidated financial statements and Group management report of PANTAFLIX AG for the 2017 financial year as voluntarily prepared by the Management Board.

Dependent Company Report

The Management Board prepared a dependent company report for the 2017 financial year. Having audited this dependent company report, the auditor of the financial statements reported in writing on the results of its audit and issued the following unqualified audit opinion:

After our dutiful examination and assessment, we confirm that:

- the actual details of the report are correct,

- in the transactions listed in the report, the performance of the company was not unduly high or disadvantages were compensated,
- there are no circumstances in the measures listed in the report that make any other judgment than that of the Management Board.

The aforementioned dependent company report and the report by the auditor were provided to all members of the Supervisory Board for examination in good time. The auditor of the financial statements reported on the results of its audit at the Supervisory Board meeting on 26 April 2018 and answered questions. The dependent company report and the audit opinion were acknowledged, critically reviewed and discussed by the members of the Supervisory Board, who subsequently conducted their own detailed examination of the dependent company report. In particular, the Supervisory Board examined the dependent company report for completeness and accuracy and, in doing so, ascertained that the group of affiliated companies was established with due care and necessary arrangements were made for the detection of reportable legal transactions and activities. No objections to the dependent company report became evident during this examination. The Supervisory Board did not raise any objections to the closing statement by the Management Board contained in the report.

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

For the Supervisory Board



Mathis Schultz
Chairman of the Supervisory Board



A TEAM
OF GLOBAL
DISTRIBUTION
EXPERTS &
FILM LOVERS

PANTAFLIX-GROUP



PANTAFLIX AG Munich	PANTAFLIX Technologies GmbH Berlin
Holding company for the PANTAFLIX Group	wholly-owned subsidiary
Strategic management, controlling, administration, business development, investor relations	Global VoD service

All information contained in this report
current as at 31 December 2017

PANTALEON Films GmbH Munich	PANTALEON Pictures GmbH Munich	March & Friends GmbH Munich	PantaSounds GmbH Munich (as at 31.12.2017)
wholly-owned subsidiary	wholly-owned subsidiary	wholly-owned subsidiary	72,5%-owned subsidiary
Rights holder for the PANTAFLIX Group	Contract producer for the PANTAFLIX Group	Agency for the PANTAFLIX Group	Music label for the PANTAFLIX Group
Development, financing, exploitation, rights library, production	Full-service provider for the entire production process	Social media, brand integration, branded entertainmen	Music production, rights exploitation

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

MANAGEMENT

PANTAFLIX AG has two company boards, following the German model for publicly-held companies: A managing Executive Board, which runs the company, makes strategic decisions and pursues long-term sustainable growth of shareholder value; and a Supervisory Board, which elects, advises and supervises the Executive Board. Executive and Supervisory Boards work together closely for the benefit of the company, with the common aim of increasing long-term sustainable company value.



Dan Maag
CEO (until 22 April 2018)

DAN MAAG (CEO until 22 April 2018)

Dan Maag, born 1975, was CEO of PANTAFLIX AG until 22 April 2018. He has been making movies since 1998 and founded his first production company in 2002, Orange Pictures GmbH (“Open Water 2”). He served as line producer for international financing and production companies on big-budget productions like Oliver Stone’s “Alexander” and Martin Scorsese’s “Aviator”. In 2012, Maag became managing director of PANTALEON Entertainment GmbH, supervising its successful IPO, and currently serving as CEO. His string of No. 1 box office hits “What a Man”, “The Break-Up Artist”, “Mrs. Ella”, “Joys of Fatherhood”, “The Nanny”, “The Best day Ever” and most recently “Hot Dog” as well as the first German language and successful Amazon Originals series „You Are Wanted“ makes him one of the most successful producers in Germany at the moment. Maag is also the founder of the global video-on-demand platform www.pantaflix.com – the first global self distribution platform for world-wide feature film and series rights holders. As chairman, he is responsible for the day-to-day business of PANTAFLIX AG. Thanks to his many years of international production experience, a global network in the entertainment industry and his pronounced entrepreneurial spirit, he contributes in large part to the success of the PANTAFLIX AG.



Stefan Langefeld
COO (until 22 April 2018) /
CEO since 22 April 2018)

STEFAN LANGEFELD (COO until 22 April 2018 / CEO since 22 April 2018)

Stefan Langefeld joined PANTAFLIX AG from APPLE in May 2017 as the new group COO. He took over as CEO since April 22, 2018. As iTunes Head of TV and Movies Central and Eastern Europe, he grew business from USD 0 in 2008 to a 9 digit turnover in 2016 by launching APPLE’s video businesses from scratch in over 60 countries including Germany, Russia, Africa, Middle East and India. In his nearly ten years at APPLE, he managed teams, partners/key accounts, sales, marketing, product, and infrastructure globally starting with one country and one product to hold full P&L responsibility for 17 countries and a TV and Movie product. He negotiated and structured over 100+ licensing deals with diverse partners, from Hollywood Studios to local independent producers. Considered as Europe’s leading manager in the field of VoD he will be responsible for the global roll-out of PANTAFLIX.



Nicolas Paalzow
CPO

NICOLAS PAALZOW (CPO)

In addition to his position as managing shareholder of the production agency Creative Cosmos 15 (in cooperation with the PANTAFLIX AG), Nicolas Paalzow has been lending his talents to the PANTAFLIX AG as a new board member since November 2017. As the Chief Production Officer, he is responsible for the dynamically growing cinema, TV and VOD production business, together with CEO Dan Maag. The experienced TV manager, producer and qualified media consultant has been shaping the German television and media landscape significantly in various executive positions since the nineties. Paalzow has worked as managing director for large commercial channels such as ProSieben, Sat. 1 and Kabel Eins, and also for the production houses MME Entertainment and JANUS TV. His previous work includes establishing the well-known advertising claims „Die besten Filme aller Zeiten“ (“The best movies of all time”) and „We love to entertain you“ for Kabel Eins and ProSieben.

SUPERVISORY BOARD

MATHIS SCHULTZ
(Chairman)

MARCUS MACHURA
(Vice Chairman)

MARC SCHÖNBERGER
(Board Member)

PANTAFLIX CHRONICLE I



17 January 2017
 AMAZON announces Launch of
 PANTALEON Production
 „You Are Wanted“ on 17 March 2017



6 February 2017
 PANTAFLIX now released
 as Android APP



16 March 2017
 World Premiere of the
 AMAZON Original Series
 „You Are Wanted“



15 May 2017
 PANTAFLIX signs contract in
 China for a joint venture with
 Sun Seven Stars Media Group
 of Bruno Wu

Q1

9 January 2017
 PANTALEON Entertainment AG
 expands Executive Board - Stefan
 Langefeld assumes the newly
 created position of the COO with
 effect from May 1, 2017

1 February 2017
 PANTALEON Entertainment AG
 resolves on capital increase against
 cash contributions from authorized
 capital with private placement

28 February 2017
 PANTALEON Entertainment AG to
 join New Frankfurt Market Segment
 Scale March 1, 2017

Q2

22 March 2017
 PANTALEON's „You Are
 Wanted“ renewed for a
 second season by Amazon
 after record-breaking launch

Q3

20 July 2017
 PANTALEON Entertainment AG:
 100% of shareholders vote in favour
 of name change to PANTAFLIX AG



PANTAFLIX CHRONICLE II

3 August 2017

Shareholder base successfully widened. As a result of the high demand, a stake of 10 % of the Company's share capital was placed by the major shareholder BlackMars Capital GmbH

7 August 2017

The journey's over: Filming has wrapped for road movie „Vielmachglas“



28 September 2017

PANTAFLIX AG: Publication of 2017 half-year report

23 October 2017

PANTAFLIX AG appoints former Managing Director of Sat.1 and ProSieben Nicolas Paalzow to Management Board

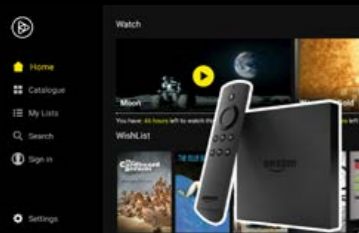


1 December 2017

PANTAFLIX makes a film available online worldwide simultaneously with the theater release for the first time

21 July 2017

PANTAFLIX now available as Amazon Fire TV App



Q3

7 September 2017

Shooting begins for the second season of Amazon hit series "You Are Wanted"



12 October 2017

PANTAFLIX AG resolves on capital increase against cash contributions from authorized capital with private placement

Q4

27 November 2017
VoD platform PANTAFLIX and Disney announce comprehensive content agreement



5 December 2017

VoD platform PANTAFLIX now offers TV series





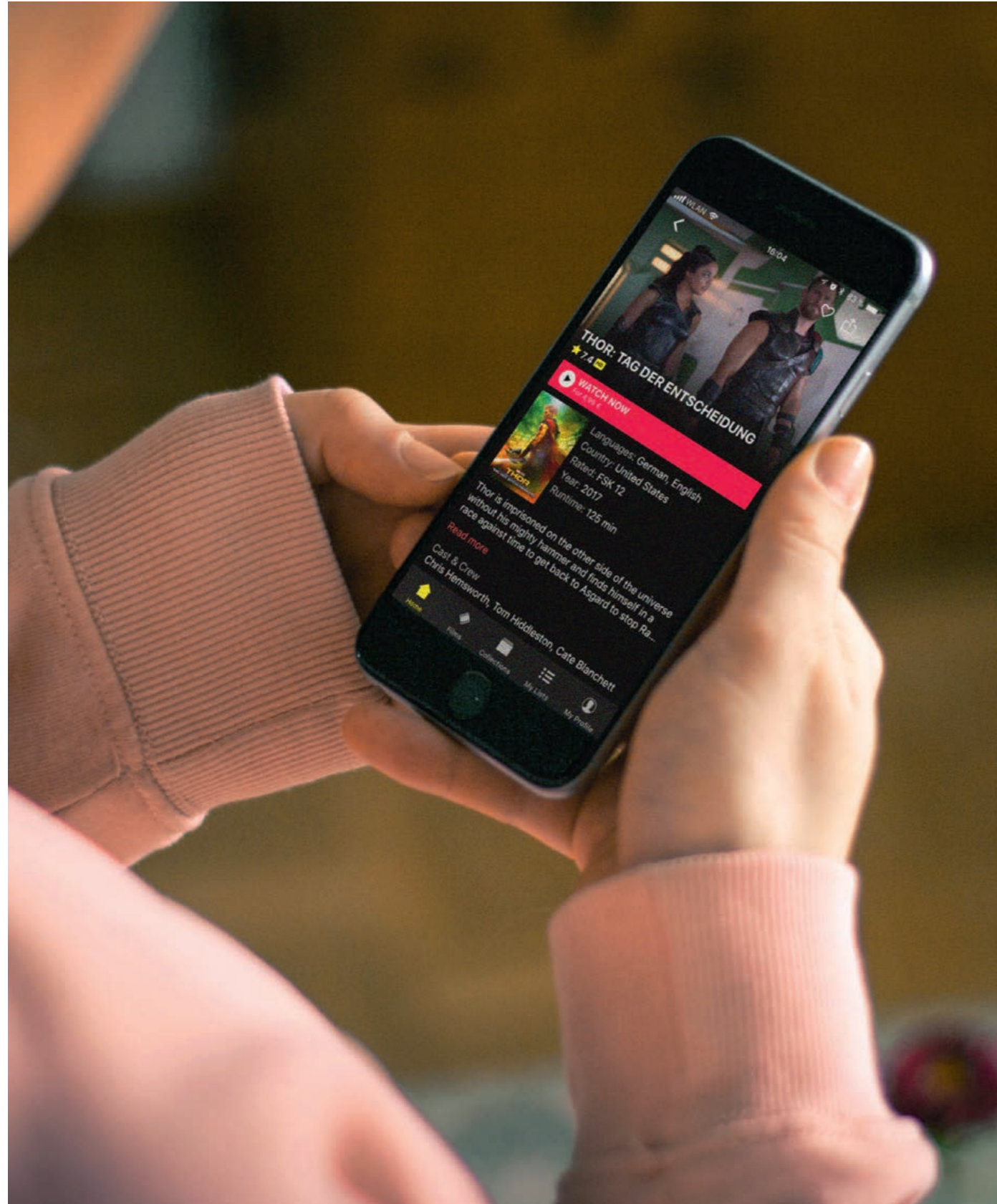
PANTAFlix

PANTAFlix TECHNOLOGIES GMBH

The move from celluloid-film reels to digital projectors was just a small step for the film industry and its ongoing digitalization. A way bigger curtailment for the film sector is the current exploitation of movies through digital distribution channels.

PANTAFlix is a cloud-based video-on-demand platform made in Germany that enables film producers and rights holders to make their productions available to a global audience in just a few clicks for the first time. Its global orientation and direct market access break up the existing structures in the film business and offer producers the best possible remuneration for their films. Meanwhile, PANTAFlix offers film fans a particularly extensive and diverse portfolio with content from a wide range of genres that is precisely geared to their interests and needs.

THE FUTURE OF THE VIDEO-ON-DEMAND MARKET



The launch of the PANTAFLIX VoD platform in 2016 saw PANTAFLIX AG laying a key foundation for the future of the entire Group. The international video-on-demand is still growing rapidly and still has great potential. Global revenue amounted to EUR 16.1 billion in 2016, and by 2017 this figure had already risen to almost EUR 18 billion. The US is by far the biggest market (with revenue of EUR 9.9 billion in 2017), while revenue on the German market amounted to EUR 784 million. The market's growth is also reflected by the number of users: 334 million people worldwide used VoD in 2016; in 2017, it was 357.7 million and the forecast for 2022 is 522 million users.

The figures reveal the transformation of an entire industry – while the importance of linear TV continues to wane (14 to 49-year olds only watched 160 minutes in 2017, compared to 192 minutes in 2010), VoD and thus the constant availability of moving image content is making great strides. In digitised and globalised society, users expect to be able to access content anywhere in the world and at any time. This development will influence the film industry's traditional exploitation chain moving ahead. PANTAFLIX recognised this early on and, in December 2017, became the first provider anywhere to make a film available worldwide at the same time as its theatrical release. By taking this step, the company also became a pioneer within the industry, taking into account the fact that the period between a film's release in cinemas and its availability on DVD, pay TV and VoD – usually lasting several months – is a massive loss of revenue for all concerned. It also shows once more that PANTAFLIX wants to be more than just another VoD service, and instead wants to use its disruptive business model to help reshape the future of the entire industry and to move it forwards.

Despite the explosive growth in VoD figures, more than 90% of all films produced annually around the world are today not distributed outside their native country. This situation is a bane for all involved, and it is no longer right for a globalised world. The VoD sector and the film industry in general need completely new business models to forge new paths and to make content available worldwide. Temporarily or permanently, more than 250 million people already live outside their native country. To date, the range offered by the VoD market does not sufficiently reflect his development. This is where PANTAFLIX comes in, seizing on the enormous potential and diversity of content available worldwide to make global distribution a reality. Since being rolled out in 2016, PANTAFLIX has made great progress towards becoming a global VoD

platform with an international content catalogue. In 2017 this included the rapid cultivation of key markets just as much as it did extensive content agreements with the major studios Disney and STUDIOCANAL – Milestones in the history of the platform and proof to the entire industry of the credibility and future viability of a “made in Germany” VoD platform.

But that wasn't the last of the ground-breaking achievements that 2017 had in store: In November PANTAFLIX announced the launch of its range of TV series, granting its users access to more than 1,600 episodes of hit series from the start.



In future, the VoD market will be defined not just by growth, but above all by technological change and evolution. With the help of its subsidiary PANTAFLIX Technologies GmbH in Berlin, PANTAFLIX AG guarantees that it can keep up with the pace of technological progress and drive innovation. With its internationally flavoured VoD platform PANTAFLIX, the company has already begun to create and keep on developing a global infrastructure – one with state-of-the-art technology and growth and optimisation opportunities for the entire PANTAFLIX Group. For instance, this growing infrastructure is being used for the global distribution of PANTALEON Films' own productions, and is also set to serve as a launch pad for the even better integration of all PANTAFLIX AG subsidiaries. March & Friends GmbH and the PANTAFLIX subsidiary Creative Cosmos 15 are thereby increasingly playing a part in the planning and implementation of innovative marketing and social media activities. This “fusion” of business areas will allow PANTAFLIX AG to become a fully fledged global media corporation.

1 Statista Digital Market Outlook, March 2018
2 SevenOne Media ViewTime Report 2017, October 2017

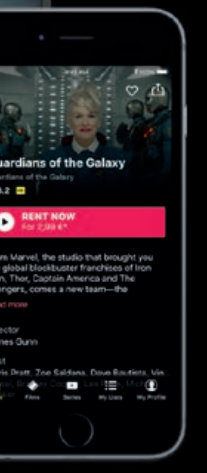
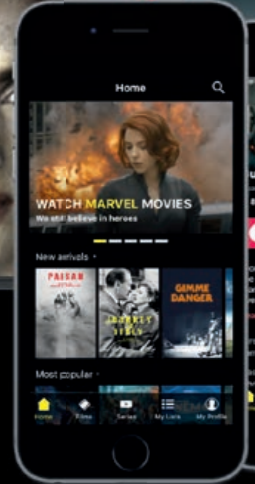
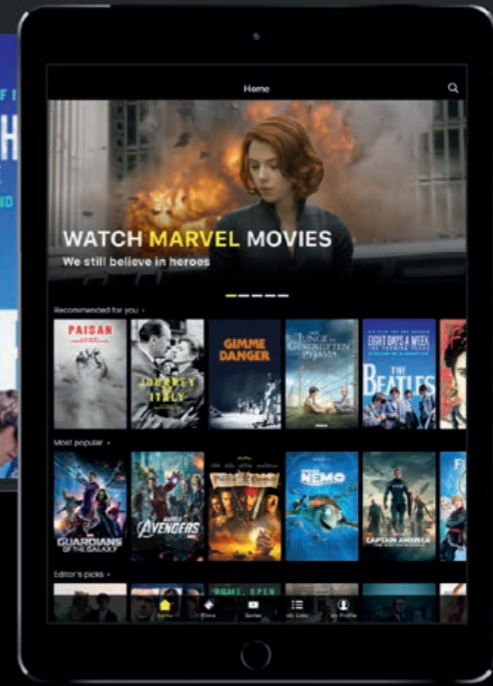
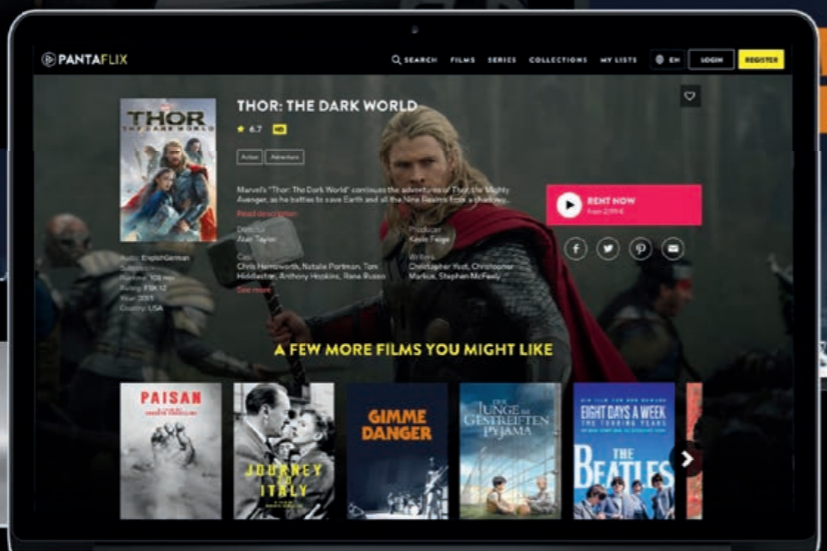
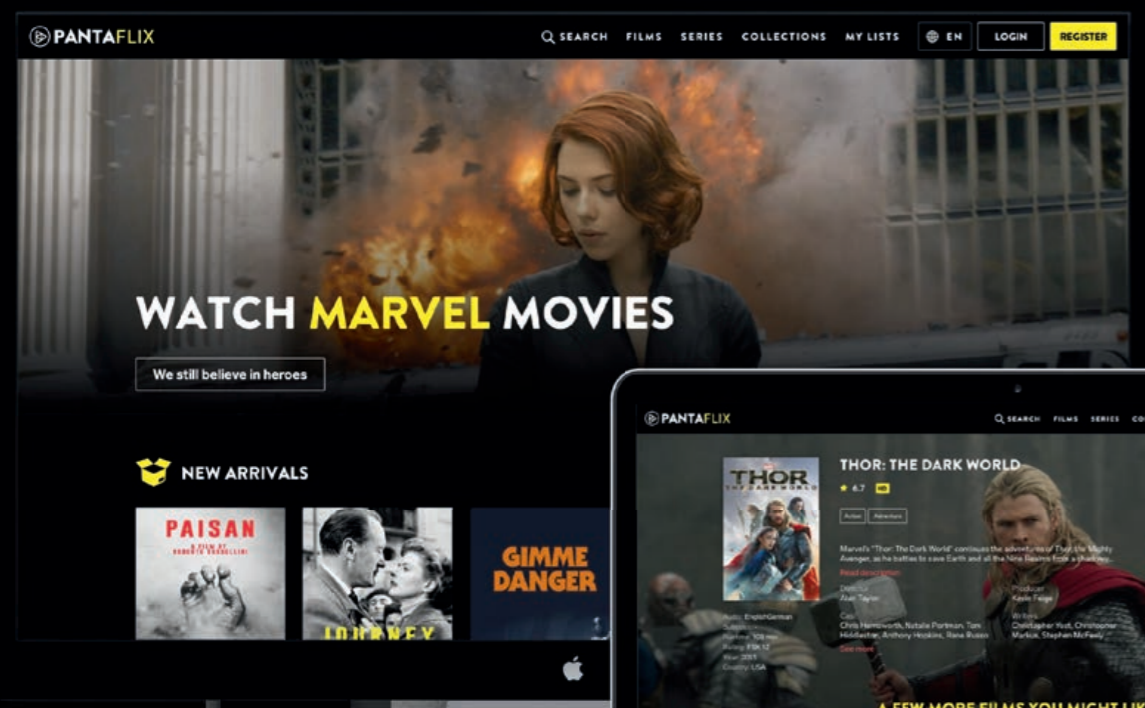


WATCH MARVEL MOVIES



THERE WILL BE BLOOD

Daniel Day-Lewis' r





PANTALEON FILMS GMBH & PANTALEON PICTURES GMBH

PANTALEON Films acts as a full-service provider for the entire production process. Based in Munich, Berlin, Cologne and Frankfurt, with a global network and a strong history of producing exciting and award-winning work, PANTALEON Films is committed to creating the very best in film, TV & VoD. As rights holder is the production house responsible for development, financing and rights of use. The team has a rich history of working on both blockbuster and innovative film & TV productions, ensuring the continued and rapidly growing success of our work. PANTALEON Pictures GmbH was formed with the aim to perform commissioned productions.



YOU ARE WANTED

SEASON 1

STORY

Matthias Schweighöfer is Lukas Franke, a happy and law-abiding family man. When an anonymous hacker steals Lukas' entire digital identity, his life suddenly turns into a nightmare. Soon even Lukas can't tell the difference between truth and deception.

All 6 episodes of YOU ARE WANTED can be streamed in more than 200 countries. The PANTALEON production is not just the first streaming-series of PANTALEON, but also the first German series ever with a worldwide premiere in more than 200 countries and territories on 6 continents.

Already at launch more clients rate YOU ARE WANTED on AMAZON with five of five stars than any other series in the history of AMAZON Prime Video within Germany.

Even internationally, the start of the series has been splendid: YOU ARE WANTED is the most seen series at the starting weekend in 70 countries, including Canada, Mexico, Brasil, France, Italy and Spain.

Produced by PANTALEON Films. Co-production Warner Bros. Entertainment GmbH and Warner Bros. International Television Production Deutschland GmbH

CAST

LUKAS FRANKE: Matthias Schweighöfer
 HANNA FRANKE: Alexandra Maria Lara
 LENA ARANDT: Karoline Herfurth
 SANDRA JANSEN: Catrin Striebeck
 MARC: Tom Beck

CREW

Directed by: Matthias Schweighöfer, Bernhard Jasper
 Written by: Richard Kropf, Hanno Hackfort, Bob Konrad
 Director of Photography: Bernhard Jasper

VERTRIEB

Amazon Prime Video

RELEASE

17.03.2017





YOU ARE WANTED

SEASON 2

STORY

o break for Lukas Franke - with the data collecting monster program „Burning Man“ he seemed to keep his fate back in his own hands. But now the nightmare is starting again. His memory: deleted. „Burning Man“: gone. His family: in danger. Lukas is on the run again. All-powerful intelligence services, international criminals, hackers and activists with their very own idea of a better world want to own „Burning Man“ and open the hunt for the family's father. His only chance is to find the most powerful cyber weapon in the world again.

Produced by PANTALEON Films. Co-production Warner Bros. Entertainment GmbH and Warner Bros. International Television Production Deutschland GmbH

CAST

LUKAS FRANKE: Matthias Schweighöfer
 HANNA FRANKE: Alexandra Maria Lara
 SANDRA JANSEN: Catrin Striebeck
 ELLY HALLASKA: Jessica Schwarz
 ANGEL: Hannah Hoekstra
 ADMIRAL BRUCE GARDNER: Michael Landes

CREW

Directed by: Matthias Schweighöfer, Bernhard Jasper
 Written by: Markus Hoffmann, Uwe Kossmann
 Director of Photography: Bernhard Jasper

DISTRIBUTOR

Amazon Prime Video

RELEASE

18 May 2018





HOT DOG

STORY

Opposites attract - like Theo and Luke. While one clears things with his fists, the other solves them with his brain. And yet, the former GSG 10 policeman and one, who only dreamed of the special unit yet, try to free the kidnapped daughter of the Moldovan ambassador on their own. With no regard for losses and a swath of devastation, they crush a net of intrigues: there is much more about the abduction than a mere ransom demand.

Hot Dog is produced by PANTALEON Films GmbH in Co-Production with Warner Bros. Film Productions Germany and Erfttal Film- & Fernsehproduktion GmbH & Co. KG.

CAST

LUKE: Til Schweiger
 THEO: Matthias Schweighöfer
 NICKI: Anne Schäfer
 MASCHA: Lisa Tomaschewsky
 Further roles: Tim Wilde, Samuel Finzi, Heino Ferch

CREW

Director: Torsten Künstler
 Screenplay: Lo Malinke, Tripper Clancy

DISTRIBUTOR

Warner Bros. Pictures Germany

RELEASE

18.01.2018



YOUR SONG

STORY

Sex, Drugs & Rock'n'Roll – John Winter (Tom Beck) has left all of this behind. Thanks to his new girlfriend Ella (Susan Hoecke), Germany's most successful rock star now lives a moderate life with healthy diet, yoga and monogamy. But because of this new lifestyle he suffers from a writer's block which leads to financial ruin not only for him, but also his agent Grobsch (Dirk Borchardt) as well as his entire management. Grobsch uses his assistant Lou (Cristina do Rego) to get John back to his old rockstar life and to write new hits. Lou is reluctant to accept this assignment and it didn't take long until the unruly young woman and the disillusioned rocker got into a fight - but into flirting as well. And a new hit single is not the only goal of Lou's mission ...

Produced by PANTALEON Films GmbH

CAST

JOHN WINTER: Tom Beck
 LOU: Cristina do Rego
 ANDI GROBSCH: Dirk Borchardt
 PAUL: Dennis Schigiol
 NIKI: Susan Hoecke

CREW

Director: Kai Meyer-Ricks
 Screenplay: Katharina Eysen
 Director of Photography: Sönke Hansen
 Producer: Simon Happ

CHANNEL

Sat.1

RELEASE

22 August 2017





A JAR FULL OF LIFE

STORY

In her early 20s, Marleen (Jella Haase) still lives at home and prefers working in the little movie theater around the corner rather than making big plans for the future. Naturally, her parents Peter (Uwe Ochsenknecht) and Doris (Juliane Köhler) drive her insane with annoying questions like: What do you want to do with your life? Don't you want to study? How's the search for an apartment coming along? As if that wasn't enough, her brother Erik (Matthias Schweighöfer) is a real high flyer: He's traveled halfway across the world working as a development aid volunteer, mountain climber and surf instructor - and now he's even started writing books! Just when it seems as though things couldn't get worse for Marleen, her life is turned upside-down by a tragic accident that sends her into a downward spiral of misery. She. Needs. To. Get. Away. Carrying nothing but a backpack with a toothbrush and some clothes, Marleen sets off on a journey into the unknown. Along the way, she meets a photographer named Ben (Marc Benjamin), the crazy YouTuber Zoë and gets caught up in a series of freakish situations. The further she travels, the more she understands: This road trip has no destination, it's a journey towards her own self.

VIELMACHGLAS was produced by PANTALEON Films in Co-production with Warner Bros., Traumfabrik Babelsberg and Erfurt Film- & TV-production.

CAST

MARLEEN RUGE: Jella Haase
 BEN: Marc Benjamin
 ERIK RUGE: Matthias Schweighöfer
 DORIS RUGE: Juliane Köhler
 PETER RUGE: Uwe Ochsenknecht
 ZOË: Emma Drogunova

CREW

Director: Florian Ross
 Screenplay: Finn Christoph Stroeks
 Director of Photography: Felix Novo de Oliveira
 Producer: Daniel Sonnabend

DISTRIBUTOR

Warner Bros. Pictures Germany

RELEASE

8 March 2018



100 THINGS

STORY

Toni loves his espresso machine. Paul loves his smartphone. Toni can't live without hair pills, Paul without his precious sneakers. But more than anything else, Paul cannot live without Toni, and Toni cannot live without Paul. But they don't know that yet. All they care about is who is better or who is cooler, and this is where it's got them: They're left without furniture, without clothes, naked and freezing. They made a bet: They have to go without every-thing for one hundred days. Each day, they can get just one item back. And they're only at day one!

They're already tangled up in questions they've never thought of before: What do we really need? Do we own things or do things own us?

100 THINGS is produced by PANTALEON Films GmbH in co-production with Warner Bros. Film Productions Germany and Erfftal Film- & Fernsehproduktion GmbH & Co. KG.

CAST

PAUL: Florian David Fitz
 TONI: Matthias Schweighöfer
 LUCY: Miriam Stein
 Further roles: Sarah Viktoria Frick, Johannes Allmayer, Max Bretschneider, Hannelore Elsner, Maria Furtwängler, Wolfgang Stumph and Katharina Thalbach

CREW

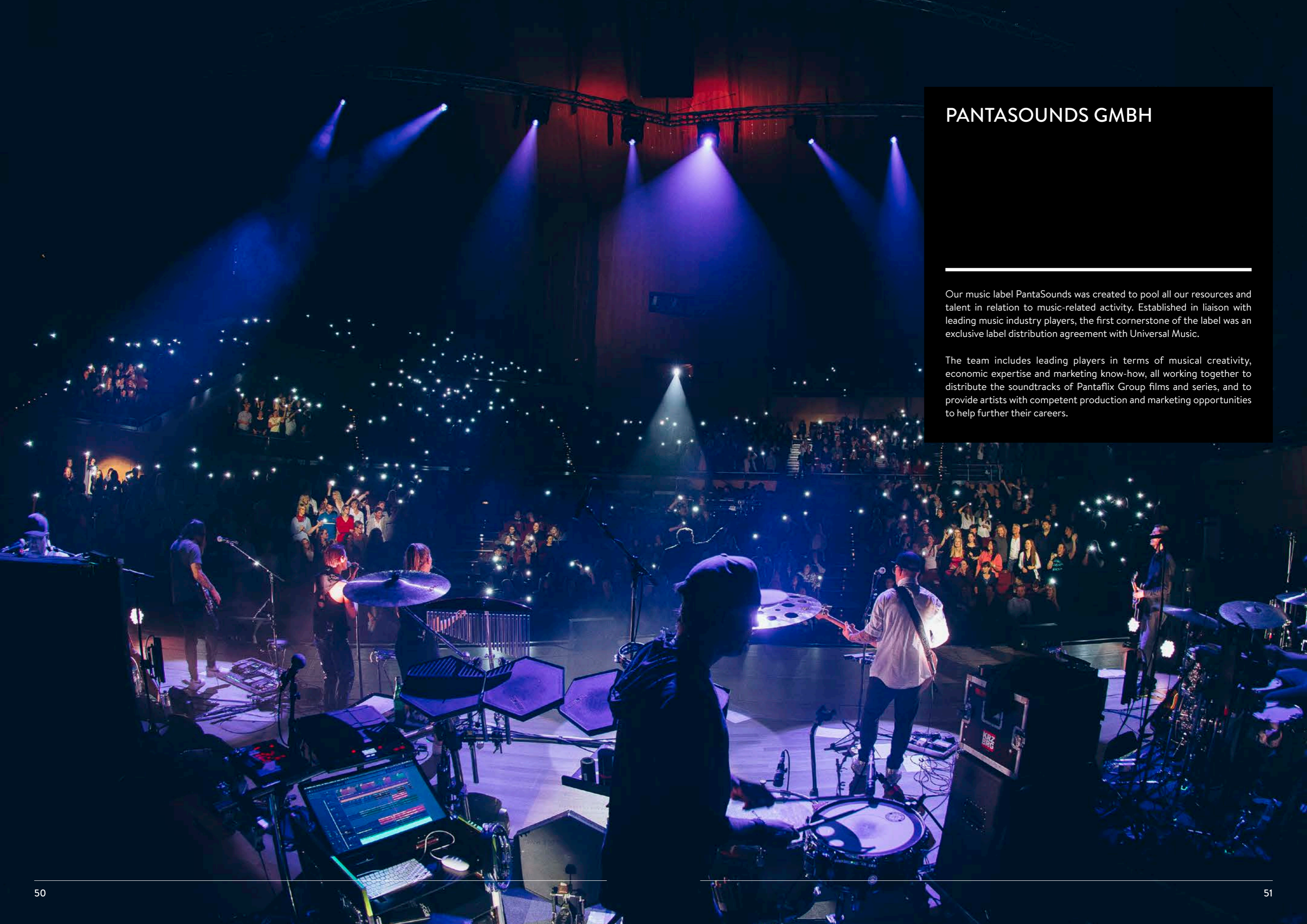
Director: Florian David Fitz
 Screenplay: Florian David Fitz
 Director of Photography: Bernhard Jasper

DISTRIBUTOR

Warner Bros. Pictures Germany

RELEASE

6 December 2018



PANTASOUNDS GMBH

Our music label PantaSounds was created to pool all our resources and talent in relation to music-related activity. Established in liaison with leading music industry players, the first cornerstone of the label was an exclusive label distribution agreement with Universal Music.

The team includes leading players in terms of musical creativity, economic expertise and marketing know-how, all working together to distribute the soundtracks of Pantaflix Group films and series, and to provide artists with competent production and marketing opportunities to help further their careers.

MARCH & FRIENDS

The world's of film & TV have always been attractive to brands, and their support allows the industry to achieve its goals in ways not otherwise possible. With this in mind, March & Friends works tirelessly to foster relationships with partners, working across branded entertainment, brand integration and social media.

Thanks to its dedicated and hugely experienced team, March & Friends is the perfect partner for external advertisers wishing to connect with the global entertainment opportunities of the PANTAFLEX AG. And like all elements of the Group, March & Friends is constantly exploring and creating new and innovative models.





THOUSANDS OF
MOVIES
AVAILABLE
WORLDWIDE

THE PANTAFLIX AG SHARE

Since 1 March 2017, PANTAFLIX AG (formerly: PANTALEON Entertainment AG) has been listed in the new Scale segment on the Frankfurt Stock Exchange, as one of only around 40 companies to meet the strict transparency standards for small and medium-sized enterprises (SMEs) put in place when this quality segment was set up. The PANTAFLIX AG shares were previously included in the Entry Standard segment, the qualified open market of Deutsche Börse, from their initial listing on the Frankfurt Stock Exchange on 4 March 2015 until the discontinuation of this segment.

In the past financial year, PANTAFLIX AG significantly raised the company's profile among investors with its successful business performance. The PANTAFLIX AG share gained around 128% in 2017 in a positive capital market environment. A comparison between the opening and closing quarters of 2017 in particular shows that the capital market participants rewarded the successful development of PANTAFLIX AG: Whereas in the first quarter of 2017 stock market turnover of EUR 5.56 million (1,040 shares per day) with an average price of EUR 85.17 was recorded, the trading volume increased by 769% to EUR 49.19 million in the fourth quarter. On average, 4,510 shares were traded per trading day at EUR 181.45 per share.

After the end of the reporting period, the PANTAFLIX AG shares were included in Deutsche Börse's new selection index Scale 30 in February 2018. PANTAFLIX AG qualified for inclusion based on its order book turnover on the Xetra and Frankfurt trading centres. The Scale 30 index maps the price performance of the 30 most liquid shares in the Scale segment in real time and is available in a price version and a performance version (ISIN: DE-000A2J0PW5/DE000A2GYJT2). Weightings within the index are based on market capitalisation and are adjusted each quarter.

PRICE PERFORMANCE IN THE 2017 FINANCIAL YEAR

In 2017, the European stock markets recorded their longest series of gains to date with their sixth consecutive annual gain. The German leading index DAX started the year at 11,426 points on 2 January 2017 and moved above the 13,000-point mark in the first six months. The international stock markets showed little reaction to the US central bank's interest rate hike in March 2017, the increasing returns on the bond markets and the performance of the new US president Donald Trump. Likewise, the elections in Europe, the uncertainty surrounding Brexit and the US government's isolationist and North Korea policies were not enough to spread

uncertainty. The German leading index thus reached its highest level in the year under review of 13,526 points on 7 November 2017. However, after a strong year the dynamic development of the markets in Germany and the USA began to slow somewhat towards the end. The DAX index of German blue-chip stocks ended the stock market year at a closing price of 12,918 points on 29 December 2017, marking an increase of 12.5% over the year.

The PANTAFLIX share significantly outperformed this trend, putting on around 127.8% in the 2017 financial year. On 2 January 2017, the PANTAFLIX AG share started Xetra trading at a price of EUR 86.00, and reached its lowest level in the whole year of EUR 70.55 on the same day. The stocks of PANTAFLIX AG reached their highest level on 14 December 2017 at EUR 214.90. Their average price in the past financial year amounted to EUR 125.20 as against EUR 51.17 in the previous year. At the end of the stock market year on 29 December 2017, trading in the shares of PANTAFLIX AG closed at a price of EUR 189.10.

PRICE PERFORMANCE

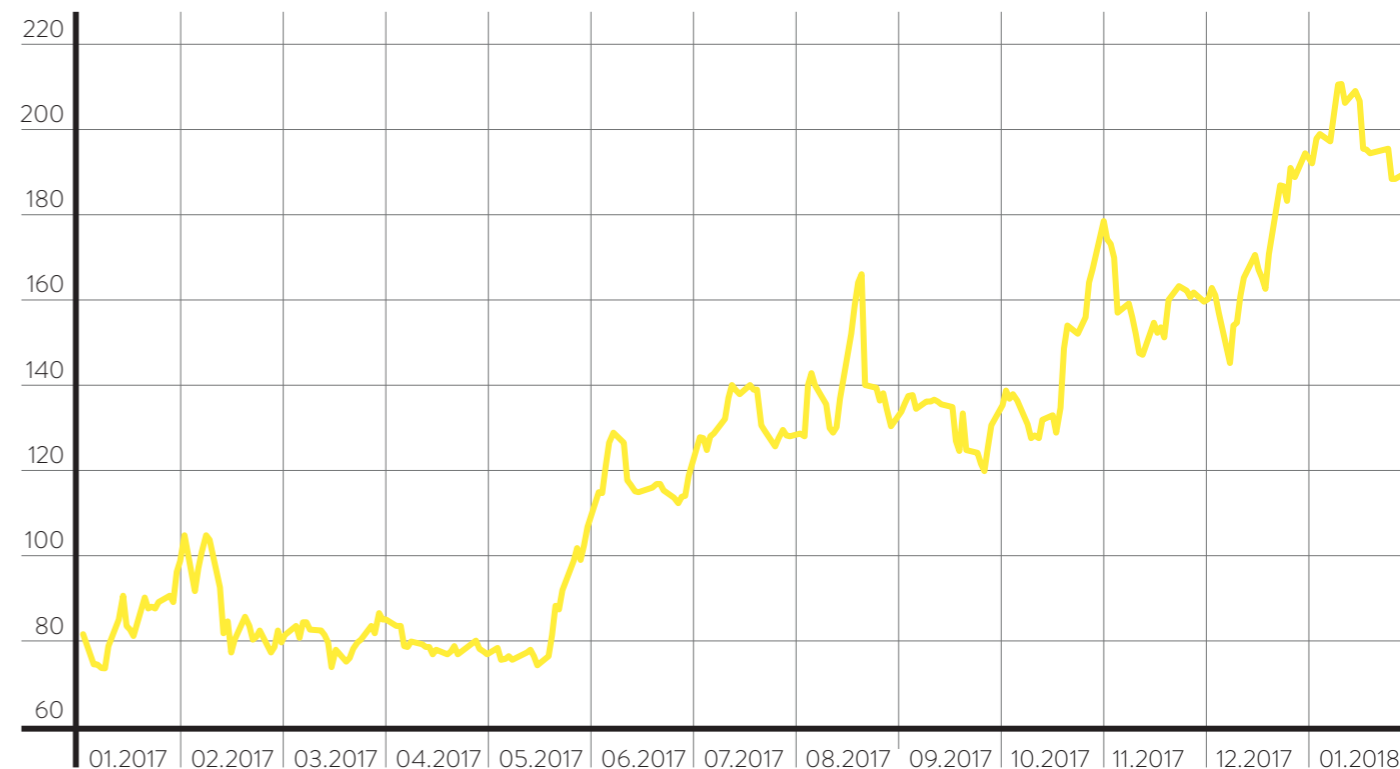
Opening price	2 January 2017	EUR 86.00
Low	2 January 2017	EUR 70.55
High	14 December 2017	EUR 214.90
Closing price	29 December 2017	EUR 189.10
Market capitalisation		EUR 240.3 million
Price performance		+ 127.8%

In the reporting period, the average trading volume with PANTAFLIX shares on all German stock exchanges increased significantly to 2,245 shares as against 986 shares in the same period of the previous year. As at the 2017 reporting date, the market capitalisation amounted to EUR 240.3 million on the basis of 1,270,500 shares. In the previous year, the market capitalisation had come to EUR 91.3 million on the basis of 1,100,000 shares and a closing price of EUR 83.00 (all figures based on Xetra prices).

As the designated sponsor, Hauck & Aufhäuser Privatbankiers AG provides binding bid and ask prices, thus ensuring appropriate tradeability of the PANTAFLIX share. Interested investors can find further information in the Investor Relations section of the homepage at www.pantaflixgroup.com.

PANTAFLIX AG

Aktie, ISIN DE000A12UPJ7, WKN A12UPJ



SHARE INFORMATION

Stock exchanges	Xetra, Frankfurt, Berlin, Düsseldorf, Munich, Stuttgart, Tradegate
Symbol	PAL
Total number of shares	1,270,500
Amount of share capital	EUR 1,270,500
ISIN	DE000A12UPJ7
German securities code (WKN)	A12UPJ
Market segment	Open market
Transparency level	Scale
Index membership	Scale 30, MSCI Germany Index
Designated sponsor	Hauck & Aufhäuser Privatbankiers AG

INVESTOR RELATIONS

Intensive exchange with the capital-market segment is a key pillar of PANTAFLIX AG's corporate strategy in order to communicate its business activities on a wide scale and achieve a lasting increase in value. In the 2017 financial year, the management of PANTAFLIX AG again presented the business development to institutional and private investors, financial analysts and representatives of the financial and business press in Frankfurt am Main and Munich as well as at numerous international roadshows in New York, London, Paris, Helsinki, Zürich and Warsaw and explained the Group's strategy. In addition, the Management Board fostered dialogue with capital-market players at several conference

OVERVIEW OF INVESTOR RELATIONS CONFERENCES

March 2017	Metzler German Microcap Day, Frankfurt/Main
May 2017	DVFA Frühjahrskonferenz, Frankfurt/Main
September 2017	Dr Kalliwoda Capital Markets Conference, Madrid/Barcelona
October 2017	Deutsche Börse Cash Market Investor Targeting, Monaco
November 2017	German Equity Forum, Frankfurt am Main
December 2017	Munich Capital Market Conference – MKK, Munich
In August 2017	the company further strengthened its extended management team by appointing financial market specialist Eerik Budarz as Head of Capital Markets.

RESEARCH ASSESSMENT

The respected banks Hauck & Aufhäuser Privatbankiers AG and B. Metzler seel. Sohn & Co. AG and the analysts at the small and mid-cap specialist SMC Research regularly examine and assess the PANTAFLIX AG share. After the end of the reporting period, the analysts at Warburg Research also started coverage of the PANTAFLIX share. In its initial research published on 6 February 2018, Warburg Research issued a Buy recommendation with a price target of EUR 250.00. Hauck & Aufhäuser and Metzler both recommend buying the PANTAFLIX AG shares in their latest studies, with price targets of up to EUR 350.00. As such, the analysts still unanimously expect significant increases in the PANTAFLIX share price. The analysts particularly emphasise the consistently positive news flow due to the ongoing integration of leading international film producers such as DISNEY and STUDIOCANAL in the content offered on the global video-on-demand platform pantaflix.com.

In the second quarter of 2018, equinet Bank AG is also set to start coverage. As a result of the planned merger of the mid-market investment bank equinet with Pareto Securities AS, Oslo, Norway, PANTAFLIX's visibility for capital market access in Nordic countries will also increase.

OVERVIEW OF RESEARCH ASSESSMENT

Hauck & Aufhäuser Pierre Gröning	BUY	EUR 350.00
Metzler Equity Research Alexander Neuberger	BUY	EUR 220.00
SMC Research Dr. Adam Jakubowski	Speculative BUY	EUR 290.00
Warburg Research Marius Fuhrberg	BUY	EUR 250.00

ANNUAL GENERAL MEETING AND CHANGE OF NAME TO PANTAFLIX A

The Annual General Meeting of the company trading as PANTALEON Entertainment AG until then was held in Munich on 19 July 2017 with 70.82% of the voting rights represented. In particular, the Annual General Meeting focused on the renaming of the company as PANTAFLIX AG and the relocation of the head office to Munich. The name change reflects the rapid growth of the PANTAFLIX VoD platform and is a clear message to the capital market. The change of name to PANTAFLIX AG took effect upon entry in the commercial register on 18 August 2017.

The Management Board provided information on the 2016 financial year and took questions from shareholders. In his report, CEO Dan Maag gave a detailed assessment of the positive business development and explained the future corporate strategy. COO Stefan Langefeld reported on the successes of pantaflix.com as well as the acceleration of the global rollout of the innovative video-on-demand (VoD) platform and its further development.

Shareholders endorsed the actions of the Management and Supervisory Boards and approved the management's proposals in all agenda items by large majorities, indeed unanimously in most cases. The voting results of the 2017 Annual General Meeting can be downloaded from www.pantaflixgroup.com.

CAPITAL INCREASES AND EXPANSION OF THE SHAREHOLDER STRUCTURE

In response to demand from institutional investors, PANTAFLIX AG placed 55,000 new shares with institutional investors in Germany and other European countries at a placement price of EUR 90.00 per share on 2 February 2017 as part of a private placement. The gross issue volume thus amounted to EUR 4,950,000.00. Accordingly, the company's share capital was increased to EUR 1,155,000.00, divided into 1,155,000 no-par-value bearer shares. As a result, the free float also increased to around 24%.

The free float of PANTAFLIX AG increased to 34% as at 3 August 2017 as a result of a reallocation of shares to prestigious financial investors in Germany and abroad by the major shareholder BlackMars Capital GmbH. The expansion of the group of shareholders reflected the continuing demand from investors to be part of the company's future development. This increase in the free float makes the PANTAFLIX shares more attractive to institutional investors, who have previously only been able to make limited investments in the shares of PANTAFLIX AG due to minimum requirements for the free float.

On 12 October 2017, the share capital of PANTAFLIX AG was increased to EUR 1,270,500.00 for the purpose of financing growth by issuing 115,500 new, no-par-value bearer shares in return for cash contributions, using part of the existing approved capital and disapplying shareholders' subscription rights. The capital increase was implemented by way of a private placement solely with institutional investors in Germany and other European countries at a placement price of EUR 160.00 per share. The gross issue volume came to approximately EUR 18.5 million. As a result of the capital increase, the free float of PANTAFLIX AG increased to 40%.

FINANCIAL CALENDAR 2018

6 – 8 February 2018	Roadshow, Salt Lake City, Chicago, New York
22 February 2018	12th ODDO BHF German Conference
22 March 2018	Metzler MicroCap Days
26 April 2018	Publication of the 2017 annual financial statements
15 May 2018	Frankfurt Spring Conference
25 July 2018	Annual General Meeting, Munich
September 2018	Publication of the 2018 half-year financial statements
21 September 2018	Investor Targeting, Monaco
26 and 27 November 2018	German Equity Forum, Frankfurt am Main
11 and 12 December 2018	MKK – Munich Capital Market Conference, Munich

1 Handelsblatt (2017): DAX UPDATE – leading index closes the year below 13,000 points
 2 Metzler (2017): Capital market outlook for Q2 2017
 3 Handelsblatt (2017): DAX OUTLOOK – New game, new chances
 4 M.M. Warburg (2017): Capital market prospects, December 2017
 5 Handelsblatt (2017): DAX OUTLOOK – New game, new chances
 6 provisional and thus incomplete status – March 2018

GROUP MANAGEMENT REPORT

1. BASIC INFORMATION ON THE GROUP

PANTAFLIX AG is a media company with a strong focus on cinema and video-on-demand. The core activity of PANTALEON and its subsidiaries is the development and production of theatrical feature films and licensing rights to those films on a national and international basis, mainly through globally leading film distributors across many stages of the licensing chain.

PANTAFLIX AG now operates its eponymous, innovative cloud-based video-on-demand (VoD) platform PANTAFLIX, which gives the Group an entirely new pillar in one of the fastest-growing market segments of the entertainment industry. With this move, PANTAFLIX is evolving from a media company into a digital company with access to the corresponding economies of scale.

The Group also established in 2016 its own music label. The subsidiary **PantaSounds GmbH**, headquartered in Munich with an additional office in Berlin, pools the PANTAFLIX Group's activities in the music sector. In addition to the PANTAFLIX Group's film and series soundtracks, the goal is also particularly to provide PANTAFLIX's own artists with the best possible springboard and expert marketing in the music sector.

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

PANTAFLIX AG, as the holding company, performs a strategic management function for the PANTAFLIX Group. Domiciled in Munich and with a site in Frankfurt, the holding company is responsible for core functions such as management and controlling as well as public and investor relations and performs additional tasks in the areas of administration and business development for its subsidiaries.

PANTALEON Films GmbH develops, finances, produces and licenses films as the rights holder. Domiciled in Munich, the company is a wholly-owned subsidiary of PANTAFLIX AG. In the 2017 financial year, it collaborated closely with its affiliated company PANTALEON Pictures GmbH.

PANTALEON Pictures GmbH focuses on contract productions. Founded in the final quarter of 2014, the Munich-based company is a wholly-owned subsidiary of PANTAFLIX AG.

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

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

PantaSounds GmbH operates in the music production sector. The resulting rights are marketed together with international partners. Domiciled in Munich, the company is a 72.5% subsidiary of PANTAFLIX AG. The company was founded in the second quarter of 2016.

2. BUSINESS MODEL

2.1 FILM PRODUCTION DIVISION

In the Film Production division, the PANTAFLIX Group produces cinema movies as in-house productions and co-productions and licenses the resulting rights together with its global partners. The PANTAFLIX Group's in-house productions and co-productions are based on secured production finance. The first pillar is the advance sale of rights of use that are initially limited in terms of time, place and content. In particular, this relates to licensing rights for cinema, home entertainment, pay TV, free TV and global distribution rights, which are monetised by agreeing guarantee payments in the form of minimum guarantees. The second pillar of production finance is the funding provided by institutions in Germany and abroad, most of which takes the form of loans that are repayable only in the event of a successful outcome. Other funding includes reference funds, which are generated by previous film productions achieving certain viewer numbers or successful participations in festivals and film awards and which can be accessed by PANTAFLIX AG or its subsidiaries to finance new film projects. PANTAFLIX AG and its subsidiaries organise interim financing to take account of the fact that the financing

components for a movie are paid in instalments throughout the entire production period.

The production of movies and their ownership gives rise to economically relevant rights in the form of a rights library that is marketed via different licensing stages. Depending on the success of a film, income may still be generated years after initial theatrical licensing, e.g. from the sale of remake rights for geographical territories or broadcast rights for free TV. In the past, within the PANTAFLIX Group both PANTALEON Entertainment GmbH and PANTALEON Films GmbH produced movies and hence became the holders of the corresponding rights. The tasks and responsibilities within the Group have been strategically reallocated with the formation of PANTALEON Pictures GmbH and the conversion of PANTALEON Entertainment GmbH into a stock corporation under German law. In future, PANTAFLIX AG will focus on the areas of Group management and controlling and business development, as well as performing sub-functions such as administration for its subsidiaries.

PANTALEON Films GmbH and PANTALEON Pictures GmbH develop, finance, produce and license films, with PANTALEON Pictures GmbH focusing on contract productions.

2.2 VIDEO-ON-DEMAND DIVISION

In the Video-on-Demand division, the innovative PANTAFLIX platform will enable the Company to provide consumers worldwide with access to films that were previously unavailable to them. PANTAFLIX is a cloud-based streaming platform with a fundamentally new approach: To date, the VoD (video-on-demand) business model has involved providers purchasing packages of rights from the studios and licensing them in defined individual territories. This means that film-makers and rights holders are practically unable to make their films directly available to consumers outside their domestic market via one of the established video-on-demand platforms. The established structure of the video-on-demand market is disadvantageous for all stakeholders: The system is cost-intensive for VoD providers, as they are required to invest extensively in purchasing packages of rights. It is detrimental for film-makers and rights holders, as the intermediate sales structures mean their revenue share is lower than it needs to be.

And the existing system is disadvantageous for consumers because 90% of all films produced worldwide are essentially

unavailable outside their country of origin. With PANTAFLIX, the PANTAFLIX Group now possesses a technological solution for enabling film-makers and rights holders to market their films globally with just a few clicks. At the same time, the platform gives consumers access to films that were previously unavailable to them. At the end of the period under review, the Group's VoD activities were spun off in 2015 to the wholly-owned subsidiary PANTAFLIX Technologies GmbH, Berlin.

2.3 OTHER DIVISIONS

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

In addition to in-house film production, the established infrastructure of the PANTAFLIX Group means that its business activities can be extended to include contract production. Contract production describes the production of TV content (e.g. TV or show formats) on behalf of a TV network, TV station or video-on-demand provider, for example. Contract production is performed for a fixed fee, with rights to a share of income also being granted.

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

The PANTAFLIX Group consists of the parent company PANTAFLIX AG, Munich and the consolidated subsidiaries PANTALEON Films GmbH, Munich, PANTALEON Pictures GmbH, Munich, March&Friends GmbH, Munich, PANTAFLIX Technologies GmbH, Berlin, and PantaSounds GmbH, Munich. The parent company holds a 72.5% interest in PantaSounds GmbH. All other subsidiaries were wholly owned by the parent company at the reporting date. Via the subsidiary PANTALEON Films GmbH, PANTAFLIX AG also indirectly holds 100% of the shares in the former's subsidiary THE SPECIAL SQUAD UG, a vehicle for collaboration with US screenwriters, as well as a minority interest in Creative Cosmos 15 GmbH, Munich.

3. OBJECTIVES AND STRATEGY

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

4. MANAGEMENT SYSTEM

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

5. PROJECT DEVELOPMENT AND PROJECT PIPELINE

5.1 PROJEKTENTWICKLUNG

The PANTAFLIX Group produced the following films and series in the 2017 financial year:

Rockstars zählt man nicht

The production Rockstars zählt man nicht is the follow-up to the previous collaboration with SAT.1 on the successful thriller JACK THE RIPPER. Tom Beck and Cristina do Rego star in the romantic comedy Rockstars zählt man nicht. The rest of the cast includes Dirk Borchardt, Dennis Schigiol and Susan Hoecke.

You Are Wanted 1+2

The PANTALEON-produced series You Are Wanted is the first German AMAZON Original Series for the video-on-demand provider AMAZON Prime Video and marks a milestone in the German film and TV industry. You Are Wanted was released in more than 200 countries on six continents on 17 March 2017, thus becoming the first globally available German series. All six episodes of the series are available dubbed into English, French, Italian and Spanish. The project was directed by its lead actor, Matthias Schweighöfer. AMAZON also offers subtitles in Portuguese, Hindi and Japanese. After an outstandingly successful first weekend, PANTALEON Films received a follow-up order to produce the second season, which was successfully completed towards the end of 2017 and will premiere in spring 2018.

The series is also in high demand internationally: You Are Wanted was one of the five most-watched series of its first weekend in 70 countries, including Canada, Mexico, Brazil, France, Italy and Spain. For PANTALEON Films, the record-breaking launch of its first streaming series was an excellent start in the new production segment of streaming series for international video-on-demand providers and thus gives the PANTAFLIX Group's production arm a permanent boost.

Hot Dog

The comedy Hot Dog unites the two biggest German film stars in one team: Til Schweiger and Matthias Schweighöfer guarantee maximum entertainment as a duo that is as unbeatable as it is mismatched in this PANTALEON production. Hot Dog opened on 18 January 2018 at the top of the German box office charts.

A Jar Full of Life

The next cinema release followed on 8 March 2018 with A Jar Full of Life, featuring Fack Ju Göhte star Jella Haase in the lead role alongside Marc Benjamin and Matthias Schweighöfer, who, in the film, help her make a journey to find herself. The film was directed by Florian Ross from Düsseldorf, who packed his first feature film with an outstanding cast, right down to the supporting roles. For example, other roles are played by Juliane Köhler, Uwe Ochsenknecht, Adam Bousdoukos, Katy Karrenbauer, Ilka Bessin and the newcomer Emma Drogunova.

Beat

Following the big success of You are Wanted, PANTALEON Films has produced a second series for Amazon along with Warner Bros. and Hellinger / Doll Filmproduktion. Amazon will also prospectively release the series, which is set within the Berlin techno and club scene, worldwide during the second half of 2018. The leading parts, amongst others, are played by Karoline Herfurth, Jannis Niewöhner, Kostja Ullmann, and Christian Berkel. Marco Kreuzpaintner (Krabat, Coming In, Trade) is the director.

5.2 PROJECT PIPELINE

The PANTAFLIX Group is currently developing round 30 innovative and commercial movies and series formats. Continuous collaboration with potential commissioning companies such as AMAZON Prime Video and Netflix expands the pillar of the PANTAFLIX Group relating to the film production business area.

For the PANTAFLIX Group, the 2018 production year started with shooting for 100 THINGS. The film is a co-production of PANTALEON Films GmbH, its long-standing partner Warner Bros. Entertainment GmbH and Erfstal Film- & Fernsehproduktion GmbH & Co. KG. Shooting will continue until the beginning of May 2018 in Berlin, Brandenburg and Central Germany. Warner Bros. Pictures will release 100 THINGS in cinemas across Germany in December 2018.

Further major film productions are planned in the 2018 financial year, including the international feature film Resistance, a co-production with the entertainment company Rocket Science, which will unite German and American film stars like Matthias Schweighöfer and Jesse Eisenberg (The Social Network) on the big screen. Other projects are also in the final stage of development already and are scheduled for filming in summer 2018. At the 2018 Berlinale, PANTALEON Films GmbH also successfully

agreed a collaboration for the international adaptation of Mozart's The Magic Flute with Roland Emmerich's CENTROPOLIS ENTERTAINMENT.

1. MACROECONOMIC CONDITIONS IN 2017

For PANTAFLIX AG (formerly: PANTALEON Entertainment AG) and its subsidiaries, the performance of the global economy and economic growth in Europe and Germany are of major significance to the development and production of films, the global exploitation of the associated rights and distribution on the PANTAFLIX video on demand platform.

The global economy continued to gather momentum in 2017 with growth of 3.7% after 3.2% in the previous year. The International Monetary Fund (IMF) had assumed an increase of 3.6% in its previous forecast. The revival is being propelled by rising investment and industrial production in conjunction with stronger corporate and consumer confidence. Global trade increased significantly in 2017 as a result of a recovery in investment, particularly in the industrialised countries, and increased production in Asia. Overall, global trade volumes grew by one percentage point in 2017 at 4.7%, much stronger than the global economy.^{1,2,3}

The economy of the euro area grew by 2.4% in 2017 according to the IMF, an increase of 0.3 percentage points compared to the forecasts from October 2017. The expansion of gross domestic product (GDP) in euro area countries was still at 1.8% in the previous year. The economic drivers were again private consumer spending as a result of rising employment, increased corporate investment and flourishing exports. The declining unemployment figures in all euro area countries confirm the positive development. The unemployment rate in the euro area for 2017 as a whole was 9.2% after 10% in the previous year.^{4,5,6}

Economic output in Germany was up for the eighth year in a row in 2017 with a strong rise of 2.2%. According to the Federal Statistical Office (Destatis), the economy had expanded by just 1.9% in the previous year. Growth was stimulated by private consumer spending in particular in 2017. German exports continued to grow in 2017 with an increase of 4.7% year-on-year, while imports climbed by 5.2% over the same period. Income increased significantly in the past financial year, even surpassing the growth in corporate and investment income. Inflation in Germany was up

by 1.8% on average over 2017, in line with the European Central Bank's target of just under 2%.^{7,8} Employment rose by 1.5% thereby continuing the trend of the past 12 years, according to Destatis. The unemployment rate therefore declined further from 3.9% to 3.7%, again setting a new record since German reunification.⁹

The sectors and market segments in which PANTAFLIX AG operates developed 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 grew again.

According to the US market research firm comScore, the global cinema market generated the highest revenue in its history in 2017, with an increase of 3% to the record figure of USD 39.9 billion. This was particularly attributable to box office takings in China. For the growing Chinese market, comScore's experts expect growth of 20% in 2017. The emerging nations in South-East Asia and the Middle East also contributed to the rise in box office. Meanwhile, revenue in the US cinema market fell by 2.3% to USD 11.12 billion in 2017, below the previous year's record-breaking USD 11.4 billion.¹⁰

According to the German Federal Film Board (FFA), cinemas in Germany enjoyed their second highest annual revenue of all time in 2017. The box office was up 3.9% year-on-year at EUR 1.06 billion (2016: EUR 1.02 billion). At 122.3 million, the total number of cinema tickets sold increased slightly by 1% compared to 2016. German films such as productions by the PANTAFLIX subsidiary Pantaleon Films expanded their market share to 23.9% from the previous year's figure of 22.7%. 28.3 million tickets in total were bought for German films after 27.7 million in 2016.

In the opinion of the FFA, the fact that German productions often outperformed US blockbusters in 2017 is proof of the prestige today associated with German theatrical releases. Looking ahead to the 50th anniversary of the German Federal Film Board, the FFA is optimistic for 2018 and anticipates a slate of promising film premieres for the current year, including with heavyweights such as Matthias Schweighöfer in 100 DINGE, a production by Pantaleon Films.¹¹

In the video-on-demand sector, providers such as Amazon Prime and Netflix are focusing on subscription-video-on-demand (SVoD) content and the production of exclusive content.

Meanwhile, PANTAFLIX, is pursuing an innovative approach with a global offering of local productions available as transactional video on demand (TVoD).

The global VoD market was worth USD 19.8 billion in 2017, according to market research firm Statista. The US, China and Europe will account for the lion's share in the current financial year of 2018. The US remains by far the largest market with forecast revenue of USD 11.5 billion, followed by the Chinese market at USD 1.7 billion.¹²

While the Chinese video on demand market still had a lot of catching up to do with the US in 2017, it managed to close the gap to 15% of the US market. China only achieved 10% of the US volume in the previous year. TVoD in particular, reported growth of more than 50%.¹³ Germany is ranked fourth in the world with estimated VoD revenue of USD 954 million.¹⁴ While (according to the market research company Goldmedia) the global leaders in SVoD attempted to compensate for the rising costs of in-house productions, flat subscriber numbers and expenses for international expansion with higher prices for subscription plans in 2017, TVoD platforms specialising in selected content and target groups – like PANTAFLIX – succeeded in increasing their market share in Germany to around 14%.¹⁵

The global growth of the VoD market is reflected in the number of users, which is expected to rise from around 470 million in 2017 to more than 720 million by 2022. By 2022, the global video on demand market is set to be reporting an average annual growth rate of 6.2% up to a volume of USD 27.6 billion. While saturation effects are already evident in the US with average annual increases of 4%, the highest growth rates are expected in China at around 21%. Outside the US in particular, TVoD providers such as PANTAFLIX will continue to achieve higher growth rates on account of the unavailability of individual titles from subscription-based providers.^{16,17}

Since the global music industry posted moderate growth again after more than a decade of sharp declines and the number of users of paid subscriptions surpassed the 100 million mark and kept rising in 2016, the International Federation of the Phonographic Industry (IFPI) claims that streaming is record companies' most important growth driver. Analysts at the market research firm Technavio, for example, also assume that the global music market will grow at an average rate of around 9% per year

until 2021 thanks to subscription services. The music industry is benefiting in particular from two trends here. On the one hand, music companies' income is rising thanks to subscription services' 'freemium' models, which aim to increase the number of users paying for premium services. On the other hand, digital music service providers are using mobile advertising as a channel to increase revenue. The growing proliferation of mobile devices such as smartphones and tablets is leading to an exponential increase in spending on mobile advertising.

2. COURSE OF BUSINESS

2.1 RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

In the reporting year, the video-on-demand business was brought even closer to market maturity and correspondingly posted minor revenue which was in line with the division's planning.

Key milestones related primarily to the improvement of usability for customers. This includes a registration process with low barriers, a large selection of payment options, such as PayPal, and multilingual menus. The platform now has full German, English, French, Polish, Turkish and Mandarin language versions. As well as the iOS version, versions of the PANTAFLIX app for Android and other common smartphone providers have also been available since February 2017. Technical availability was thus increased to over 95%.

For the first time, in-app downloads give customers the option to download entire films and series to then watch them without internet access.

In cooperation with Amazon, PANTAFLIX is also represented by an app on the globally available Fire TV Stick.

Other milestones also included the further establishment and expansion of a high-quality and extensive range of films and series.

The film production activities centred on the scheduled execution of the Hot Dog, You Are Wanted 2, Rockstars zähmt man nicht and A Jar Full of Life film projects. You Are Wanted is the first German AMAZON Original Series for the VoD provider Amazon Prime Video. It had an excellent first weekend both nationally and internationally, becoming one of the five most-watched series of the weekend. The follow-up order for the

second season, which will premiere in May 2018, was already received in the first quarter of 2017. Hot Dog, a film that finished shooting in the 2017 financial year, also opened at the top of the German box office charts in January 2018. The company continued its successful collaboration with the TV channel Sat.1 with Rockstars zähmt man nicht. In addition, the PANTAFLIX subsidiary PANTALEON Films will promote environmentally-friendly film production in the future. For example, the feature film A Jar Full of Life was already produced with sparing use of resources.

The music production activities at PantaSounds GmbH contributed a relatively low EUR 1,450 thousand to revenues.

In the 2017 financial year, the agency business (March&Friends) made no notable revenue or positive earnings contribution.

The Group generated a total operating performance plus other operating income of EUR 41,487 thousand in the 2017 financial year. The equivalent figure in the previous year was EUR 16,492 thousand. The increase is due primarily to the recognition of proceeds from Hot Dog as well as the advanced stage of the execution of the projects You Are Wanted 2 and Beat.

All revenue and income was generated in Germany.

The cost of materials increased corresponding to the total output from EUR 3,621 thousand in 2016 to EUR 15,013 thousand in 2017. This item comprises co-producers' shares in revenues from licensing film rights and follow-up costs for completed projects. Depreciation and amortisation amounted to EUR 15,330 thousand in 2017, up EUR 4,440 thousand on the previous year's figure of EUR 10.890 thousand. Depreciation and amortisation chiefly consists of amortisation of internally generated intangible fixed assets (EUR 15,077 thousand). Amortisation of purchased intangible fixed assets and depreciation of property, plant and equipment play only a minor role. The licensing profile is not expected to change over time.

Personnel expenses rose significantly from EUR 1,977 thousand in the previous year to EUR 3,464 thousand. The average number of employees increased from 91 in 2016 to 154 in year 2017. This workforce expansion was necessary in order to provide personnel capacity for the further business growth planned, particularly in the video-on-demand segment. However, the internal processes and structures required for the publicly traded Group

were also further enhanced, and the number of film productions increased.

Other operating expenses rose from EUR 1,737 thousand in 2016 to EUR 5,469 thousand in 2017. This rise is especially attributed to expenditures related to two increases of capital in year 2017 and to the development of the PANTAFLIX platform.

The EUR 2,571 thousand increase in tax expenses to EUR 2,629 thousand is attributable both to the taxable net income for the year of individual subsidiaries and to the recognition of deferred tax liabilities on internally generated intangible assets.

Total assets increased by EUR 27,944 thousand from EUR 18,070 thousand to EUR 46,014 thousand in the period under review. This was accompanied by a significant shift in the PANTAFLIX Group's asset structure towards fixed assets.

The decrease in fixed assets is chiefly related to not yet completed capitalised film rights. Internally generated assets from film projects, which were recognised under advance payments, had a total volume of EUR 1,397 (2016: EUR 5,465 thousand).

The EUR 30,980 thousand increase in current assets to EUR 41,396 thousand is due in particular to the increase in work in progress and cash. Work in progress increased by EUR 10,784 thousand year on year and relates to two commissioned film projects, *You Are Wanted 2* and *Beat*. In addition, cash increased by EUR 15,268 thousand to EUR 17,095 thousand as a result of capital increases performed in the financial year. Receivables and other assets rose from EUR 8,589 thousand in 2016 to EUR 13,518 thousand in the reporting year, mainly as a result of higher trade receivables.

As of the reporting date, equity amounted to EUR 26,104 thousand and the equity ratio was 57% (2016: 17%). The increase resulted primarily from two capital increases performed in the financial year. 55,000 shares were issued in January 2017 and 115,500 in October 2017 at a nominal value of EUR 1.00 per share. These shares were issued above nominal value (share premium). The share premium totalling EUR 23,260 thousand was transferred to the capital reserves.

Provisions amounted to EUR 2,273 thousand as of 31 December and were thus higher than the previous year's figure of EUR 159 thousand. Tax provisions increased in particular as a result of improvements in the earnings of individual subsidiaries and deferred taxes. Other provisions relate mainly to outstanding invoices, remaining holiday obligations and expenses for preparing and auditing financial statements.

In 2017, liabilities to banks amounted to EUR 4,917 thousand due to film projects still in production and projects concluded but not yet accounted for. Trade payables increased by EUR 2,265 thousand compared to 2016 to EUR 3,112 thousand in 2017, due in particular to payments received in connection with the capital measures performed. Other liabilities increased from EUR 1,725 thousand to EUR 2,657 thousand in the reporting year. This was due primarily to the repayment obligations incurred up to the reporting date from the contingently repayable film financing loans of previous years for the film project *Frau Ella* and third parties' shares in proceeds from *Frau Ella*.

3. LIQUIDITY

Cash flow from operating activities amounted to EUR 7,414 thousand (2016: EUR 11,600 thousand). It was chiefly influenced by amortisation of capitalised internally generated intangible fixed assets in the amount of EUR 15,330 thousand. After film projects are completed, the Group amortises the resulting copyrights in line with performance.

Cash flow from investing activities amounted to EUR -14,724 thousand in 2017 (2016: EUR -17,307 thousand). It consisted of investments in fixed assets, mostly in the form of capitalisation of the cost of films completed in the year under review before this item is amortised in line with performance.

Cash flow from financing activities amounted to EUR 23,424 thousand in 2017. EUR 23,400 thousand is a matter of payments from two realised capital increases during the fiscal year.

4. FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

4.1 FINANCIAL PERFORMANCE INDICATORS

The aim of the Group is to steadily increase its total output and

operating result. Above and beyond this, the PANTAFLIX Group seeks to increase its operating cash flow and utilise its net working capital as efficiently as possible.

4.2 NON-FINANCIAL PERFORMANCE INDICATORS, EMPLOYEES

As at 31 December 2017, the average number of employees was 154 (2016: 91 employees).

5. OUTLOOK, RISK AND OPPORTUNITY REPORT

5.1 FUTURE ECONOMIC AND INDUSTRY DEVELOPMENT

Following a further strengthening of the upturn last year, the global economy is likely to benefit from a favourable financing environment and the economic recovery in the developed economies in 2018 and 2019, with 3.9% growth in both years. The International Monetary Fund (IMF) has increased its forecast by 0.2% compared with its outlook in October 2017, reflecting the accelerated pace of growth as well as the expected effects of the tax cuts in the US. The increased growth rates for the two-year forecast horizon chiefly result from economic performance in the advanced economies.^{20,21}

In Europe, the economy is set for further robust growth this year and next. In its winter forecast, the European Commission expects growth of 2.3% in both the euro area and the EU28 for 2018 and 2019. These are slight upward corrections compared with the autumn forecast. Uncertainty still surrounds the United Kingdom's exit from the European Union as well as the protectionist tendencies around the world.²²

The German economy is experiencing a strong economic upturn. Accordingly, the German government expects further growth of 2.4% this year. In particular, the labour market and the public sector are driving macroeconomic development.²³ In its forecast, the market-research company GfK predicts that growth in private consumption expenditure will be roughly on a par with the previous year at around 2% in 2018. Further outstanding performance of the labour market is another basis for strong consumption in 2018.²⁴

With regard to the media and entertainment market, the analysts at PricewaterhouseCoopers (PwC) state that it is no longer a claim but reality that the global entertainment and media landscape has

changed. Game-changers like PANTAFLIX are leading the way here by combining excellent content with international breadth and regional depth of distribution and bringing it all together in an innovative user experience on all available devices at an attractive price for producers and film fans. In PwC's view, the conventional distribution models are simply no longer sufficient.²⁵

For the sectors and markets in which the PANTAFLIX Group operates, PwC also expects an upward trend overall in the next few years. Global cinema business is likely to grow by an average of 4.4% per year to over USD 49 billion by 2021.²⁶ After box-office takings slowed down in China back in 2016, the ascent of the Chinese cinema industry to overtake the US as the biggest film nation could be delayed beyond 2017.

This slowdown stems from stricter guidelines on recording box-office revenue in China. Even so, development has not stopped altogether: the number of cinemas in the People's Republic – which already has more cinemas than any other country in the world – is likely to rise to 80,000 screens by 2021. That is double the number in China in 2016 and in the US until 2021. However, according to PwC, the Hollywood studios' world-leading position is not at risk, even if higher ticket revenues are generated in China than in the US. Whereas US productions still perform better at international level than on the domestic market, films from China are still largely geared towards local tastes and the expectations of Chinese people abroad.

To make up for the fact that films from China still have a low profile on the global market and to gain access to production and licensing of international blockbusters, Chinese companies are continuing to invest heavily in the US cinema sector.²⁷ Along with China, a sharp increase in cinema business is expected for Asia-Pacific as a whole. By 2021, the film market in the region is likely to post average growth of 7.8% per year to USD 21.7 billion.²⁸ According to PwC, income is also set to rise further in the developed cinema markets in Western Europe and North America. For the entire German film market, PwC forecasts revenue of around EUR 1.2 billion by 2021 at an annual growth rate of 1.6%.²⁹

Whereas box-office income is likely to show a stable increase by 2021, PwC expects strong growth of 11.6% per year on average in the video-on-demand segment for the same period. All over the world, the VoD market is benefiting from a shift in the market for home videos from purchase and rental of physical products such as DVDs to the increasingly hard-fought over-the-top market

(OTT) of the Internet. In 2017, the global online video market exceeded the physical home-video market for the first time. According to PwC, the global VoD market is likely to grow to USD 35 billion by 2021.³⁰ Traditional VoD providers are sticking to their strategies to produce their own content and focus their offering with the aim of providing less content but making it more attractive and exclusive.

Although global provision of in-house productions optimises their specific exploitation and spreads the costs, it is fundamentally expensive, meaning that prices of in-house productions and subscriptions will continue to rise. In addition, these models do not take into account demand around the world for Hollywood blockbusters and films that are not available beyond the distribution structures that are inefficient and ineffective for producers and outside their home countries. In Germany, the entire VoD market is likely to grow by 10% per year on average to a volume of EUR 1.2 billion by 2021. In the transactional video-on-demand segment relevant to PANTAFLIX, the analysts at PwC expect an increase of 6.7%.

Meanwhile, having stagnated from 2012 to 2015, revenue in the global music industry is back on the rise owing to the success of new business models and is gaining momentum through free-mium and streaming models. With streaming services becoming increasingly widespread, revenue of the music industry is likely to grow by 4.2% per year on average by 2021. According to PricewaterhouseCoopers, streaming was already the leading distribution channel for music in 2017.³¹

5.2 FUTURE DEVELOPMENT OF THE PANTAFLIX GROUP – OUTLOOK

In the opinion of its Management Board, the PANTAFLIX Group is excellently positioned to steadily expand its market position and significantly improve its future profitability. PANTAFLIX is also benefiting from the global economic recovery as a result of rising viewer numbers. With PANTAFLIX, the Group is successfully targeting the world-spanning growth sector of video on demand.

In addition to the continued hard work to establish and expand the video-on-demand segment, the PANTAFLIX Group will focus in 2018 and the years thereafter on the further scaling of production of potential hit films, not only on the cinema market but also in areas such as TV, VoD and web series or shows. This is expected to be accompanied by the internationalisation

of production operations and the Group's broader positioning along the value chain. The roll-out of the video-on-demand platform PANTAFLIX significantly enhanced the business operations and laid the foundation for international expansion. The business area was further diversified by the founding and initial activities of the subsidiary PantaSounds GmbH, which will also increase in importance in the Group in the years to come.

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

The good market positioning in the film segment was confirmed once again by the successful start to 2018, including the film Hot Dog's opening at number one, the completion of shooting for the second season of You Are Wanted for the partners AMAZON PRIME and Warner Bros., the cinema project 100 THINGS currently shooting, and the further project pipeline.

The video-on-demand business was significantly enhanced in the reporting period. The focus was on expanding technical reach and the further establishment of a high-quality film catalogue.

At the end of the financial year, the video-on-demand service was available as planned for various global platforms such as iOS, Android and AMAZON Fire TV. Additional applications are currently in development and will be/have already been released in the 2018 financial year together with partners (e.g. Samsung).

Extensive marketing measures began in 2018 to raise awareness of the platform among expats in selected target countries.

The dynamic development is evidenced by a fast-growing film portfolio thanks to content agreements with major players such as Disney and StudioCanal.

For the financial year 2018, management expects PANTAFLIX AG to achieve significantly higher revenues and a correspondingly positive earnings development.

5.3 OPPORTUNITY AND RISK REPORT

3.3.1 Risk management

Risk management

The Group has a risk management system that is tailored to the needs, requirements and individual risks of film productions.

The measures forming part of the internal control system with the aim of ensuring proper and reliable accounting serve to guarantee that transactions are recorded in full, in a timely manner and in accordance with the provisions of law and the Articles of Association and the relevant internal rules and regulations (compliance). Corresponding instructions and processes are in place to ensure that assets and liabilities are recognised, reported and measured accurately. The Management Board is closely involved in these processes.

Opportunities & Risks in the area of video-on-demand /VoD)

After the Company entered the digital Im distribution market by establishing the video-on-demand platform PANTAFLIX in 2016, additional industry-specific risks arose. The VoD sector is fast-growing but also highly competitive. Here, too, the PANTAFLIX Group faces companies that have greater financial resources, a longer history, more advanced company structures, greater marketing resources and/or better human resources. This could result in lower revenues and/or rising costs. To position itself successfully in this competitive environment, PANTAFLIX Technologies GmbH needs to feature a sufficient quantity of attractive film content and must acquire and retain consumers to a sufficient extent. This latter aspect, in particular, has a not insignificant impact on expenses and entails a risk of rising costs. In addition, there are also the following risks, which differ considerably in terms of their significance:

Film content risks:

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

Currency risks:

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

IT risks:

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

Opportunities & risks of film production

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

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

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

Accordingly, a deterioration in the conditions of German film finance policy could have an adverse effect on the net assets,

financial position and results of operations of PANTAFLIX AG and its subsidiaries.

In the film sector, competition for the subsidiaries operating in this area – particularly PANTALEON Films and PANTALEON Pictures – largely exists in the area of in-house film production. The main challenge facing market participants is securing access to promising film material and screenplays, signing up successful directors and actors, concluding contracts with film studios and film teams at favorable conditions, and finding suitable partners for the successful marketing of the completed film productions. In all of these areas, the PANTAFLIX Group is in competition with companies that have greater financial resources, a longer history, more advanced company structures, greater development and distribution resources and / or better human resources. In addition, the Company competes with other film companies for the attention of moviegoers with its own in-house film productions and films for which it acquires the exploitation rights. There is a risk that the simultaneous release of in-house productions and productions by competitors could lead to less successful exploitation.

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

The competition that already exists and the increasingly competitive market environment could have an adverse effect on the net assets, financial position, and results of operations and the general course of business of PANTAFLIX AG.

Financial risk

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

Liquidity and tax risks:

There are risks arising from changes in exchange rates and interest rates and from future tax audits and legal disputes.

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

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

Overall risk

At the time, the annual report of 2017 was prepared, the Management Board and the Supervisory Board were not aware of any risk that could jeopardize the continued existence of the Company due to insolvency or overindebtedness.

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

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

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

Munich, 26 April 2018

The Management Board



Stefan Langefeld



Nicolas Paalzow

- 1 World Economic Outlook, October 2017 Seeking Sustainable Growth: Chapter 1: Global Prospects and Policies
- 2 World Economic Outlook, April 2017 Seeking Sustainable Growth: Chapter 1: Global Prospects and Policies
- 3 World Economic Outlook, April 2017 Seeking Sustainable Growth: Chapter 1: Global Prospects and Policies
- 4 World Economic Outlook, April 2017 Seeking Sustainable Growth: Chapter 1: Global Prospects and Policies
- 5 World Economic Outlook, April 2017 Seeking Sustainable Growth: Chapter 1: Global Prospects and Policies
- 6 World Economic Outlook Update, January 2018 Brighter Prospects, Optimistic Markets, Challenges Ahead
- 7 Destatis 2018 Deutsche Wirtschaft wächst auch im Jahr 2017 kräftig
- 8 Destatis 2017 Deutsche Wirtschaft im Jahr 2016 weiter auf Wachstumskurs
- 9 https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2018/01/PD18_001_13321.html
- 10 <http://deadline.com/2017/12/worldwide-box-office-record-2017-39-92-billion-comscore-1202234008/>
- 11 <http://deadline.com/2017/12/worldwide-box-office-record-2017-39-92-billion-comscore-1202234008/>
- 12 <http://deadline.com/2017/12/worldwide-box-office-record-2017-39-92-billion-comscore-1202234008/>
- 13 <https://de.statista.com/statistik/daten/studie/457578/umfrage/umsaetze-im-markt-fuer-digitale-videos-in-china/>
- 14 <https://de.statista.com/statistik/daten/studie/457578/umfrage/umsaetze-im-markt-fuer-digitale-videos-in-china/>
- 15 https://www.wuv.de/medien/max_reichert_2018_wird_fuer_vod_das_jahr_der_weichenstellung
- 16 <https://www.statista.com/outlook/201/100/video-on-demand/worldwide#market-driver>
- 17 <https://de.statista.com/statistik/daten/studie/456485/umfrage/umsaetze-im-markt-fuer-digitale-videos-in-den-usa/>
- 18 <http://www.ifpi.org/downloads/GMR2017.pdf>
- 19 <https://www.technavio.com/report/global-publishing-and-advertising-global-music-market-2017-2021>
- 20 World Economic Outlook, October 2017 Seeking Sustainable Growth: Chapter 1: Global Prospects and Policies
- 21 World Economic Outlook Update, January 2018 Brighter Prospects, Optimistic Markets, Challenges Ahead
- 22 Europäische Kommission Winterprognose 2018: EU-Wirtschaft wächst so schnell wie seit zehn Jahren nicht mehr
- 23 BMWI 2018 Jahreswirtschaftsbericht 2018 Wirtschaftlich gestärkt in die Zukunft
- 24 GfK 2018 Konsumeuphorie leicht gebremst
- 25 PwC 2017 Perspectives from the Global Entertainment and Media Outlook 2017-2021
- 26 PwC 2017 Global Media and Entertainment Outlook - Dataset
- 27 ChinaDaily 2017 China to be No. 1 film box office by 2021, report says
- 28 PwC 2017 Global Media and Entertainment Outlook - Dataset
- 29 PwC 2017 German Entertainment and Media Outlook 2017-2021
- 30 PwC 2017 Global Media and Entertainment Outlook - Findings
- 31 PwC 2017 Perspectives from Global Entertainment and Media Outlook 2017-2021

CONSOLIDATED BALANCE SHEET

as at 31 December 2017

PANTAFLIX AG

ASSETS	31/12/2017	31/12/2016
	EUR	EUR
A. FIXED ASSETS		
I. Intangible assets		
1. Self-created industrial property rights and similar rights and values	2,364,171.00	1,632,842.00
2. Acquired concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	589,377.46	382,755.31
3. Advance payments on self-created industrial property rights and similar rights and values	1,396,717.98	5,464,574.73
	<u>4,350,266.44</u>	<u>7,480,172.04</u>
II. Tangible assets		
1. Technical equipment and machiner	76,442.00	50,474.00
2. Other equipment, operating and office equipmen	104,735.00	62,467.00
	<u>181,177.00</u>	<u>112,941.00</u>
III. Financial assets		
1. Equity investments	10,125.00	10,125.00
	<u>4,541,568.44</u>	<u>7,603,238.04</u>
B. CURRENTASSETS		
I. Inventories		
1. Work in progress	10,755,299.71	0.00
2. Prepayments received	28,250.00	0.00
	<u>10,783,549.71</u>	<u>0.00</u>
II. Receivables and other assets		
1. Trade receivables	12,645,240.51	4,617,537.65
2. Receivables from affiliated companies	0.00	3,321,625.39
3. Receivables from companies with which a participation exists	334,125.68	0.00
4. Other assets	538,312.51	649,589.24
	<u>13,517,678.70</u>	<u>8,588,752.28</u>
III. Cash-in-hand, Bank balances	<u>17,095,010.05</u>	<u>1,827,252.95</u>
	<u>41,396,238.46</u>	<u>10,416,005.23</u>
C. PREPAID EXPENSES	<u>76,468.98</u>	<u>51,249.81</u>
	<u>46,014,275.88</u>	<u>18,070,493.08</u>

LIABILITIES	31/12/2017	31/12/2016
	EUR	EUR
A. EQUITY		
I. Subscribed capital	1,270,500.00	1,100,000.00
II. Capital reserves	29,159,500.00	5,900,000.00
III. Revenue reserves		
1. Legal reserve	14,268.80	14,268.80
IV. Consolidated net loss	<u>-4,258,799.12</u>	<u>-3,931,483.18</u>
	<u>26,185,469.68</u>	<u>3,082,785.62</u>
V. Net loss for the year	<u>-80,601.46</u>	<u>-2,854.53</u>
	<u>26,104,868.22</u>	<u>3,079,931.09</u>
B. PROVISIONS		
1. Tax provisions	1,843,069.37	58,046.55
2. Other provisions	430,220.84	100,488.00
	<u>2,273,290.21</u>	<u>158,534.55</u>
C. LIABILITIES		
1. Liabilities to banks	4,916,757.42	5,762,933.99
2. Advance payments received	6,223,944.94	6,497,709.43
3. Trade payables	3,111,650.58	846,613.47
4. Other liabilities		
there of taxes EUR 1,398,414.46		
(previous yea EUR 1,101,094.38)		
	<u>2,656,544.51</u>	<u>1,724,770.55</u>
	<u>16,908,897.45</u>	<u>14,832,027.44</u>
D. DEFERRED TAX LIABILITIES	<u>727,220.00</u>	<u>0.00</u>
	<u>46,014,275.88</u>	<u>18,070,493.08</u>

CONSOLIDATED INCOME STATEMENT

for the period from 1 January to 31 December 2017

	2017	2016
	EUR	EUR
1. Revenue	28,055,556.83	15,131,816.27
2. Increase in work in progress	10,755,299.71	0.00
3. Other own work capitalised	298,069.57	419,780.80
4. Other operating income	2,377,885.73	940,715.75
5. Costs of materials		
a) Cost of purchased services	15,013,180.45	3,620,944.02
6. Personnel expenses		
a) Wages and salaries	2,971,184.13	1,655,192.52
b) Social security, post-employment and other employee benefit costs	493,201.16	321,761.58
- of which from post-employment benefit costs EUR 7,775.72 (previous year: EUR 248.00)		
	<u>3,464,385.29</u>	<u>1,976,954.10</u>
7. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment	15,330,484.06	10,890,354.60
8. Other operating expenses	5,469,265.90	1,736,571.62
9. Operating profit	2,209,496.14	-1,732,511.52
10. Other interest and similar income	20,414.28	107,096.94
- of which from affiliated companies EUR 14,638.59 (previous year: EUR 107,096.94)		
11. Interest and similar expenses	4,999.24	2,871.46
12. Taxes on income	2,628,722.05	58,046.55
- thereof deferred taxes EUR 727,220.00 (previous year: EUR 0.00)		
13. Earnings after taxes	<u>-403,810.87</u>	<u>-1,686,332.59</u>
14. Consolidated net loss for the year	<u>-403,810.87</u>	<u>-1,686,332.59</u>
15. Non-controlling interests in net profit	<u>76,494.93</u>	<u>10,992.53</u>
16. Consolidated net loss	<u>-327,315.94</u>	<u>-1,675,340.06</u>
17. Consolidated loss carry forward	<u>-3,931,483.18</u>	<u>-2,256,143.12</u>
18. Accumulated deficit	<u>-4,258,799.12</u>	<u>-3,931,483.18</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2017

I. GENERAL INFORMATION

The Company is registered as PANTAFLIX AG (formerly PANTALEON Entertainment AG, Kronberg im Taunus) with its headquarters in Munich in the commercial register of the District Court of Munich under number HRB 235252. The Company decided on its name change upon resolution at the Annual General Meeting on 19 July 2017 and, in the process, transferred its headquarters from Kronberg to Munich, Germany.

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

Where there are options concerning disclosure in the balance sheet or the notes, the Company selected the option of disclosure in the notes.

The income statement was prepared using the total cost (nature of expense) method.

The Company's shares joined from the Entry Standard of the Open Market the new Market Segment Scale of the German Stock Exchange on March 1, 2017 (quality segment for small and medium-sized enterprises (KMU)).

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

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.

Companies included in full consolidation

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 GmbH, Berlin	100.00
PantaSounds GmbH, Munich	72. 50

Pantaflix AG acquired 5% of the shares in PantaSounds GmbH in the year reported.

Companies not included in the consolidated financial statements

Creative Cosmos 15 GmbH, Munich	
Share of the capital:	40,50%
Equity as of 31.12.2017:	EUR 25 thousand
Net loss for the year:	EUR 126 thousand

The associated Company will be accounted and evaluated as the sharing within the financial assets. Due to its minor importance, the company was not included in the consolidated financial statements according to the equity method (§ 311 para. 2 HGB).

Consolidation Methods

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

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

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

III. ACCOUNTING POLICIES

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

The same accounting policies were applied in preparing the consolidated financial statements with the exception of the changes presented below.

Deferred tax assets and liabilities are recognised on differences between the measurement of assets and liabilities for consolidation and their tax bases, provided the differences can be classified as temporary and are not of only subordinate importance.

Fixed assets

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

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

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

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

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

Financial assets are carried at cost. When the fair values of individual financial assets are lower than their carrying amounts, impairment is recognised if it is expected to be permanent.

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

Inventories

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

Receivables and other assets

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

Cash-in-hand and bank balances

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

Prepaid expenses

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

Equity

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

Provisions

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

Liabilities

Liabilities are carried at their settlement amount.

Deferred taxes

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

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

In intangible assets, borrowing costs of EUR 143 thousand (2016: EUR 92 thousand) are capitalised as production costs.

In inventories, borrowing costs of EUR 7 thousand are capitalised as production costs.

As in the previous year, all receivables and other assets are due within one year.

The liabilities have the following remaining terms:

in € (previous year: in T€)	Total	under 1 year	1 – 5 years	more than 5 years
Liabilities to banks	4,916,757.42 (5,763)	4,916,757.42 (5,763)	0.00 (0)	0.00 (0)
Payments received on account of orders	6,223,944.94 (6,498)	5,223,944.94 (2,498)	1,000,000.00 (4,000)	0.00 (0)
Trade payables	3,111,650.58 (847)	3,111,650.00 (847)	0.00 (0)	0.00 (0)
Other liabilities	2,656,544.51 (1,725)	2,656,544.51 (1,725)	0.00 (0)	0.00 (0)
Total	16,908,897.45 (14,832)	15,908,897.45 (10,832)	1,000,000.00 (4,000)	0.00 (0)

Receivables from other investees and investors include other assets.

Other provisions mainly relate to outstanding invoices. Furthermore, costs of preparing financial statements and auditing, as well as holiday provisions are accounted for.

Receivables from other investees and investors exclusively contain other assets.

Bank balances of EUR 390 thousand are restricted as of 31 December 2017.

A capitalization of deferred tax assets on losses carried forward has not taken place since the relevant criteria according to § 306 HGB are not fulfilled due to non-usability of the losses carried forward as at 31 December 2017. The deferred tax liabilities (EUR 727 thousand) result entirely from the capitalisation of internally generated intangible fixed assets in the form of copyrights to film titles.

V. NOTES TO THE INCOME STATEMENT

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

During financial year 2017 the company closed cooperation and procurement contracts which yielded proceeds of EUR 6,450 thousand. Upon the corresponding delivery, these agreements will lead to further significant proceeds in the upcoming financial years.

The following overview comprises a reconciliation between the theoretical tax expense that results when the German tax rates are applied and the tax expense in these annual financial statements.

IN EUR THOUSAND	2017
Earnings before income taxes	2,225
Expected income taxes	-710
Reconciliation	
Taxes on income from negative earnings of subsidiaries	-1,192
Effect of recognition and valuation of deferred tax liabilities	-727
Recognised tax expense	-2,629

The Group income tax rate is 31.9%.

VI. DISCLOSURES ON CAPITAL**Subscribed capital**

The company's subscribed capital was increased from EUR 1,100,000 by two capital increases of EUR 55,000 and EUR 115,500 to EUR 1,270,500 in the reporting year and is divided into 1,270,500 no-par-value bearer shares.

Contingent capital

On 19 July 2017, the Annual General Meeting resolved to suspend Contingent Capital 2014/I.

By resolution of the Annual General Meeting on 17 October 2014 and 28 July 2016, the share capital is contingently increased by up to EUR 450,000 (Contingent Capital 2014/II).

By resolution of the Annual General Meeting on 19 July 2017, the share capital is contingently increased by up to EUR 115,500 (Contingent Capital 2017/I).

Authorised capital

The Annual General Meeting of 19 July 2017 resolved to suspend Authorised Capital 2014/I. By resolution of the Annual General Meeting on 19 July 2017, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions by up to EUR 577,500 in exchange for cash and/or non-cash contributions up until 18 July 2022 (Authorised Capital 2017/I).

After partial utilisation, the Authorised Capital of 19 July 2017 (Authorised Capital 2017/I) still amounts to EUR 462,000.

Capital reserves

The capital reserves were increased from EUR 5,900,000 to EUR 29,159,500 in the reporting year by issuing shares above nominal value in two capital increases.

VII. OTHER DISCLOSURES**Management Board**

DAN MAAG, film producer, Munich (Chairman of the Management Board until 22 April 2018)

STEFAN LANGEFELD, businessman, Munich (since 1 May 2017 COO, since 22 April 2018 Chairman of the Management Board)

NICOLAS SEBASTIAN PAALZOW, businessman, Munich (since 1 November 2017)

With reference to § 286 para. 4 HGB, the Management Board's total remuneration is omitted.

Supervisory Board

MATHIS SCHULTZ, businessman, Chairman of the Supervisory Board

MARCUS BORIS MACHURA, lawyer, Deputy Chairman

MARC SCHÖNBERGER, lawyer

With reference to § 286 para. 4 HGB, the Supervisory Board's total remuneration is omitted.

Number of employees

The Company had an average of 154 (prior year: 91) employees in the year under review.

Total fee for the auditor

The total fee for the auditor for the past financial year amounted to EUR 41 thousand and consisted of fees for auditing services (EUR 36 thousand) and other services (EUR 5 thousand).

Proposal for the appropriation of profits

The Management Board proposes that the parent company's profits be carried forward to new account.

VIII. REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no significant events after the end of the financial year.

Munich, 26 April 2018

The Management Board



Stefan Langefeld



Nicolas Sebastian Paalzow

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

as at 31 December 2017

	Cost					Depreciation, amortisation and write-downs				Carrying amounts	
	Balance carried forward 01/01/2017	Additions	Disposals	Transfers	As at 31/12/2017	Balance carried forward 01/01/2017	Additions	Disposals	As at 31/12/2017	As at 31/12/2016	As at 31/12/2017
FIXED ASSETS											
I. Intangible assets											
1. Internally generated industrial and similar rights and assets	21,808,406.19	13,312,737.99	0.00	2,495,097.29	37,616,241.47	20,175,564.19	15,076,506.28	0.00	35,252,070.47	1,632,842.00	2,364,171.00
- of which interest on loans	87,260.66	50,123.30	0.00		137,383.96	0.00	0.00	0.00	0.00	87,260.66	137,383.96
2. Industrial and similar rights and assets and licenses in such rights and assets	408,550.50	397,617.95	0.00	0.00	806,168.45	25,795.19	190,995.80	0.00	216,790.99	382,755.31	589,377.46
3. Prepayments for internally generated industrial property rights and similar rights and assets	5,464,574.73	902,909.18	2,475,668.64	-2,495,097.29	1,396,717.98	0.00	0.00	0.00	0.00	5,464,574.73	1,396,717.98
- of which interest on loans	5,225.77	0.00	0.00	0.00	5,225.77	0.00	0.00	0.00	0.00	5,225.77	5,225.77
Total intangible assets	27,681,531.42	14,613,265.12	2,475,668.64	0.00	39,819,127.90	20,201,359.38	15,267,502.08	0.00	35,468,861.46	7,480,172.04	4,350,266.44
II. Tangible assets											
1. Technical equipment and machinery	88,516.78	59,928.50	0.00	0.00	148,445.28	38,042.78	33,960.50	0.00	72,003.28	50,474.00	76,442.00
2. Other equipment, operating- and office equipment	98,926.70	71,292.48	4,474.96	0.00	165,744.22	36,459.70	29,021.48	4,471.96	61,009.22	62,467.00	104,735.00
Total tangible assets	187,443.48	131,220.98	4,474.96	0.00	314,189.50	74,502.48	62,981.98	4,471.96	133,012.50	112,941.00	181,177.00
III. Financial assets											
Participations	10,125.00	0.00	0.00	0.00	10,125.00	0.00	0.00	0.00	0.00	10,125.00	10,125.00
Total financial assets	10,125.00	0.00	0.00	0.00	10,125.00	0.00	0.00	0.00	0.00	10,125.00	10,125.00
Total fixed assets	27,879,099.90	14,744,486.10	2,480,143.60	0.00	40,143,442.40	20,275,861.86	15,330,484.06	4,471.96	35,601,873.96	7,603,238.04	4,541,568.44

CONSOLIDATED CASH FLOW STATEMENT

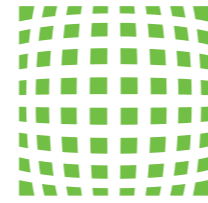
for the period from 1 January to 31 December 2017

	2017	2016
	EUR '000	EUR '000
Operating activities		
1. Consolidated net loss for the year	-404	-1,686
2. + Depreciation, amortisation and write-downs of fixed assets	15,330	10,890
3. + Increase/decrease in provisions (not including tax provision)	330	49
4. - Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-13,149	-1,057
5. + Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	-2,810	3,450
6. - Interest expenses/interest income	-15	-104
7. + Income tax expense/income	2,628	58
8. - Income tax payments	-116	0
9. = Cash flow from operating activities	7,414	11,600
Investing activities		
10. - Payments for investments in intangible fixed assets	-14,613	-17,293
11. - Payments for investments in tangible assets	-131	-110
12. + Receipts from disposals of financial assets	0	2
13. - Payments for investments in financial assets	0	-13
14. + Interest received	20	107
15. = Cash flow from investing activities	-14,724	-17,307
Financing activities		
16. + Receipts from additions to equity by shareholders of the parent company	23,430	0
17. - Payments for the acquisition of minority interests	-1	0
18. + Receipts from additions to equity by other shareholders	0	8
19. - Interest paid	-5	-3
20. = Cash flow from financing activities	23,424	5
21. Net change in cash and cash equivalents	16,114	-5,702
22. Cash and cash equivalents at beginning of period	-3,936	1,766
23. Cash and cash equivalents at end of period	12,178	-3,936
Composition of cash and cash equivalents at end of financial year		
Cash-in-hand and bank balances	17,095	1,827
Bank overdrafts repayable at any time	-4,917	-5,763
Cash funds at end of financial year	12,178	-3,936

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2017

	Parent company				Minority shareholders			Consolidated equity		
	Subscribed capital	Reserves			Net earnings brought forward	Equity attributable to the parent company	Non-controlling interests in equity	Losses attributable to non-controlling interests	Total non-controlling interests	
		Capital reserves	Legal reserve	Total reserves						
As at 1 January 2016	1,100,000.00	5,900,000.00	14,268.80	5,914,268.80	-2,256,143.12	4,758,125.68	0.00	0.00	0.00	4,758,125.68
Other changes	0.00	0.00	0.00	0.00	0.00	0.00	8,138.00	0.00	8,138.00	8,138.00
Net loss for the year	0.00	0.00	0.00	0.00	-1,675,340.06	-1,675,340.06	0.00	-10,992.53	-10,992.53	-1,686,332.59
As at 31 December 2016	1,100,000.00	5,900,000.00	14,268.80	5,914,268.80	-3,931,483.18	3,082,785.62	8,138.00	-10,992.53	-2,854.53	3,079,931.09
As at 1 January 2017	1,100,000.00	5,900,000.00	14,268.80	5,914,268.80	-3,931,483.18	3,082,785.62	8,138.00	-10,992.53	-2,854.53	3,079,931.09
Capital increase	170,500.00	23,259,500.00	0.00	23,430,000.00	0.00	23,430,000.00	0.00	0.00	0.00	23,430,000.00
Acquisition of minority interests	0.00	0.00	0.00	0.00	0.00	0.00	-1,252.00	0.00	-1,252.00	-1,252.00
Net loss for the year	0.00	0.00	0.00	0.00	-327,315.94	-327,315.94	0.00	-76,494.93	-76,494.93	-403,810.87
As at 31 December 2017	1,270,500.00	29,159,500.00	14,268.80	29,344,268.80	4,258,799.12	26,185,469.68	6,886.00	-87,487.46	-80,601.46	26,104,868.22



We have audited the consolidated financial statements prepared by PANTAFLIX AG, München – consisting of the consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements, consolidated cash flow statement and consolidated statement of changes in equity - and the Group management report of PANTAFLIX AG for the financial year from 1 January to 31 December 2017. The preparation of the consolidated financial statements and the Group management report in accordance with the provisions of the German Commercial Code (HGB) are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures.

Evidence supporting the disclosures in the consolidated financial statements and the Group management report is examined primarily on a test basis within the framework of the audit. We gain an understanding of the internal control system relevant for the audit in order to plan audit procedures, that are appropriate in the circumstances, but not with the aim of expressing an opinion on the effectiveness of the Company's internal control system. The audit encompasses an assessment of the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the consolidated group, the accounting and consolidation principles applied and the material estimates by the legal representatives as well as an appreciation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the legal provisions and the supplementary provisions and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the generally accepted principles of accounting. The Group management report is consistent with the consolidated financial statements, complies with the legal provisions and, as a whole, provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development

Frankfurt am Main, 26 April 2018
VOTUM AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Stache
German Public Auditor

Leoff
German Public Auditor

BALANCE SHEET

as at 31 December 2017

PANTAFLIX AG

ASSETS		31/12/2017	31/12/2016
	EUR	EUR	EUR
A. FIXED ASSETS			
I. Intangible assets			
1. Purchased concessions, industrial property rights and similar rights and assets, and licences for such rights and assets		91,236.46	44,773.06
II. Tangible assets			
1. Technical equipment and machiner	14,015.00		3,784.00
2. Other equipment, operating and office equipment	52,229.00		26,809.00
		66,244.00	30,593.00
III. Financial assets			
1. Investments		665,529.00	664,277.00
B. CURRENT ASSETS			
I. Receivables and other assets			
1. Trade receivables	953,731.71		251,990.04
2. Receivables from affiliated companies	13,897,446.28		6,444,771.759
3. Receivables from companies in which an equity interest is held	332,977.66		114,071.04
4. Other assets	96,422.28		31,112.05
		15,280,577.93	6,841,944.88
II. Cash-in-hand and bank balances		12,681,803.51	119,177.87
C. PREPAID EXPENSES		45,000.00	40,684.02
		28,830,390.90	7,741,449.83

EQUITY AND LIABILITIES	31/12/2017	31/12/2016
	EUR	EUR
A. EQUITY		
I. Subscribed capital	1,270,500.00	1,100,000.00
II. Capital reserves	29,159,500.00	5,900,000.00
III. Revenue reserves		
1. Legal reserve	14,268.80	14,268.80
IV. Accumulated net income	-4,187,820.23	-1,405,344.97
	26,256,448.57	5,608,923.83
B. PROVISIONS		
1. Other provisions	54,826.00	38,771.00
C. LIABILITIES		
1. Liabilities to banks	13,750.77	3,547.86
2. Trade payables	1,471,978.62	50,342.22
3. Liabilities to affiliated companies	12,518.31	1,904,947.23
4. Other liabilities	1,020,868.63	134,917.69
	2,519,116.33	2,093,755.0
	28,830,390.90	7,741,449.83

NOTE ON LIABILITY



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