



1Q2019

QUARTERLY STATEMENT AS OF MARCH 31, 2019

The Highlight Group's sales and earnings performance was in line with expectations in the first quarter of 2019.

- At CHF 116.7 million, consolidated sales were CHF 31.2 million higher than the figure for the first quarter of 2018.
- EBIT was down year-on-year at CHF -2.9 million due to a significant increase in consolidated operating expenses.
- Consolidated net profit for the period totaled CHF -4.5 million, representing a decline of CHF 4.2 million.
- The share of earnings attributable to Highlight shareholders was CHF -3.4 million, corresponding to earnings per share of CHF -0.06.

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	1Q2019	1Q2018	Change
Sales	116.7	85.5	36.5%
EBIT	-2.9	3.3	-187.9%
Net profit for the period	-4.5	-0.3	-1,400.0%
Net profit attributable to shareholders	-3.4	-0.7	-385.7%
Earnings per share (in CHF)	-0.06	-0.01	-500.0%

It should be noted regarding the following statements on the development of sales and earnings that Constantin Medien AG was included in consolidation for the first time effective March 31, 2018, and was allocated to the new Sports segment. As the prior-year figures for the Highlight Group could not be adjusted, comparisons with the first quarter of 2018 are only of limited significance.

The increase in sales results from this first-time consolidation on the one hand (CHF 28.1 million) and higher sales of the Film and Sports- and Event-Marketing segments on the other. At CHF 30.9 million, capitalized film production costs and other own work capitalized were up CHF 7.9 million year-on-year. This also applies to other operating income, which climbed by CHF 1.9 million to CHF 4.3 million.

Consolidated operating expenses rose by CHF 47.2 million or 43.9% to CHF 154.8 million. This development primarily resulted from increases in the cost of materials and licenses (CHF 25.8 million), personnel expenses (CHF 17.8 million) and amortization, depreciation and impairment (CHF 2.8 million).

Above all, the lower EBIT resulted from the Sports segment, which contributed CHF -6.1 million to earnings in the first quarter of 2019, as expected. Consolidated net profit for the period was particularly affected by a CHF 1.6 million improvement in the financial result.

Net assets and financial position (in CHF million)

	March 31, 2019	Dec. 31, 2018	Change
Balance sheet total	665.1	638.6	4.1%
Equity	220.0	225.6	-2.5%
Equity ratio (in %)	33.1	35.3	-2.2 points
Current financial liabilities	156.0	149.0	4.7%
Cash and cash equivalents	62.5	52.5	19.0%

Non-current assets posted a total increase of CHF 27.0 million to CHF 440.3 million. This development was chiefly due to rights of use from leases, which were recognized for the first time in the amount of CHF 38.8 million. By contrast, the value of film assets fell by CHF 12.3 million to CHF 173.2 million.

At CHF 224.7 million, current assets remained on par with the end of 2018 (CHF 225.3 million), with a CHF 11.3 million decline in trade accounts receivable and other receivables being offset by a CHF 9.9 million rise in cash and cash equivalents.

The main reasons for the reduction in equity were the consolidated net loss for the period of CHF -4.5 million and other items recognized in equity in the amount of CHF -0.6 million.

Operational and economic development of the Film segment

Theatrical distribution – Theatrical release of the third-party productions “Belleville Cop” (January 31, 2019), “The Upside” (February 21, 2019) and “The Beach Bum” (March 28, 2019) and the Constantin Film own/co-productions, “Ostwind – Aris Ankunft” (February 28, 2019) and “Kirschblüten & Dämonen” (March 7, 2019). The fourth installment of the “Ostwind” series has already drawn an audience of around 750,000 so far, whereas the viewer numbers for the other four films have unfortunately fallen short of expectations.

At the allocation of reference funding for 2018 by the German Federal Film Board, the Constantin Film Group was once again named the most successful German producer. This comes with reference funding of around EUR 2.18 million for production and around EUR 0.4 million for distribution.

Home Entertainment – The first quarter of 2019, in which the theatrical production “Asphaltgorillas” and the TV event series “Parfum” were released, developed mostly as planned. The positive overall results were also attributable to successes in digital sales and consistently good sales figures for catalog titles, particularly the “Fack Ju Göhte” series, “Ostwind – Aufbruch nach Ora” and “Look Who’s Back”.

License trading/TV exploitation – Start of licenses for theatrical movies including “The BFG” (ProSieben) and “The Light Between Oceans” (ProSieben) in free-TV as well as “Asphaltgorillas” (Sky) in pay-TV (pay-per-view).

The exploitation of the international production “Polar” by Netflix developed excellently, with the action adventure taking the top position in all countries where Netflix operates.

TV service production – Start of filming for the TV series “Die Welle” (RatPack GmbH for Netflix) and for the feature film “Experiment Ost” (Rat Pack GmbH for ZDF). Hager Moss Film GmbH filmed “Der Passau-Krimi,” which is planned to be broadcast in 2020 as part of the “DonnerstagsKrimi im Ersten” series. At the end of March, Moovie GmbH started filming the ARD service production “Die Toten am Meer” and Constantin Television GmbH started filming further episodes of “Der Kroatien-Krimi” (parts 7 and 8). Filming also began for the Sat.1 service production “Todesfrist,” which will be the first part of the new Andreas Gruber series and is based on the novel of the same name. At Constantin Entertainment GmbH, further episodes of “Shopping Queen” and “Guidos Masterclass” (both for VOX) and the quiz show “Genial daneben – Das Quiz” (Sat.1) were produced, among other shows.

Several TV service productions achieved double-digit percentage market shares (overall market) in the first quarter of 2019. In particular, the broadcast of “Bier Royal” (part 1) – a Moovie GmbH production for ZDF – achieved a market share of 21% on January 28 and “Der Kroatien-Krimi: Der Mädchenmörder von Krac” – a Constantin Television GmbH production for ARD – achieved a market share of 17.4% on March 14.

Sales and earnings (in CHF million)

	1Q2019	1Q2018	Change
Segment sales	72.4	70.1	3.3%
Segment earnings	-3.5	-2.6	-34.6%

The increase in the segment’s sales was particularly attributable to the strong theatrical performance of the Constantin Film co-production “Ostwind – Aris Ankunft”.

Other segment income, which is largely influenced by capitalized film production costs, rose by CHF 8.3 million to CHF 33.5 million as a result of the currently higher production volume. Segment expenses rose by CHF 11.5 million or 11.7% to CHF 109.4 million.

Operational and economic development of the Sports- and Event-Marketing segment

Following the conclusion of the marketing process of the commercial rights to the UEFA Champions League and the UEFA Europa League for the 2018/19 to 2020/21 seasons, the TEAM Group's work was focused on development of the club competition rights for the 2021/22 to 2023/24 seasons. This development will be prepared in cooperation with UEFA, including incorporation into the commercial programme of a new European club competition.

Another focus was the ongoing account management of UEFA's commercial partners and preparations to support their activation of rights for the UEFA Europa League final in Baku and the UEFA Champions League final in Madrid.

Sales and earnings (in CHF million)

	1Q2019	1Q2018	Change
Segment sales	16.5	15.4	7.1%
Segment earnings	8.5	8.4	1.2%

The rise in external sales of the Sports- and Event-Marketing segment stems from higher agency commission that the TEAM Group generated as a result of successful marketing of the UEFA club competitions for the 2018/19 to 2020/21 seasons.

Due to the rise of segment expenses by CHF 0.8 million to CHF 8.0 million, segment earnings remained virtually unchanged.

Operational and economic development of the Sports segment

On January 24, 2019, eSPORTS1 successfully started broadcasting as the first e-sports station in the German-speaking region. Its lineup includes at least 1,200 live hours of top international and national events each year, as well as highlight programs and self-produced magazine shows. The new pay-TV channel reports 24/7 on the best-known titles, including League of Legends, Dota 2, Counter-Strike, Overwatch, Hearthstone, Fortnite, and FIFA 19. High-profile content partners such as ESL, Blizzard Entertainment, FIFA, DFL Deutsche Fussball Liga, and Sportradar are also involved. Since its launch, eSPORTS1 has been offered on the platforms of Vodafone Deutschland, Telekom, Unitymedia, 1&1, T-Mobile Austria, A1 Telekom, UPC Schweiz, and Zattoo and on the new eSPORTS1 app.

The free-TV market share was stable at 0.6% among viewers aged three years and over, and slightly below the level of the previous year's quarter in the core target group of 14- to 59-year-old men at 1.1%, due in particular to the loss of rights to the UEFA Europa League. In pay-TV, the number of subscribers to SPORT1+ came to 2.34 million as of March 31, 2019 (March 31, 2018: 2.11 million), while the newly launched station eSPORTS1 drew 1.14 million subscribers.

In the mobile segment, there was a slight increase in visits and a slight decrease in page impressions (PIs) compared to the first quarter of 2018. This development is particularly attributable to reporting on the 2018 Winter Olympics, which had a positive impact in the previous year.

Video views on SPORT1's YouTube channels increased significantly year-on-year, primarily thanks to continued process and structure optimization on all social media platforms and further growth in video-on-demand and livestream content on YouTube. Not including YouTube, video views on other SPORT1 platforms were slightly lower than in the previous year.

Sales and earnings (in CHF million)

	1Q2019	1Q2018	Change
Segment sales	28.1	n/a	n/a
Segment earnings	-6.1	n/a	n/a

As a result of the first-time consolidation of Constantin Medien AG as of March 31, 2018 – without adjusting the prior-year figures for the Highlight Group – it is not yet possible to make any statement on the performance of the Sports segment.

Report on risks and opportunities

There were no changes in the Highlight Group's risks and opportunities in the first quarter of 2019. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report of our 2018 annual report.

Outlook

In the context of new digital distribution platforms, growing media consumption and a rise in global demand for audiovisual products, the overall situation in the Film segment can be regarded as positive. The biggest challenges here stem from an increasing "event culture", particularly in the movie-theater sector, as well as new competitors with a strong market presence.

Overall, the sales forecast for 2019 is based on a promising portfolio of attractive own/co-productions and licensed films for cinema and home entertainment. In addition, activities in the TV service production business area are set to pick up slightly.

In theatrical distribution, another nine film releases are currently planned in the period from April to December 2019. The licensed title "After Passion" (released on April 11) and the Constantin Film own production "Der Fall Collini" (released on April 18) have already made a successful start. As per tradition, the focus of the distribution slate will be in the second half of the year, which will see releases including the new Bora Dagtekin movie "Das perfekte Geheimnis" and "Leberkäsjunkie," the sixth big-screen adaptation of Rita Falk's crime novel series.

In home entertainment exploitation, which includes digital and physical sales, we continue to anticipate good sales figures for our catalog products and new releases. New releases over the course of the year will include the German hit movies "Der Vorname," "Der Fall Collini," and "Ostwind – Aris Ankunft," as well as the international productions "After Passion" and "The Silence".

In the second quarter of this year, the free-TV business area of the license trading/TV exploitation business area will be dominated mainly by sales from the theatrical movies "Girl on the Train" and "Office Christmas Party". In pay-TV exploitation, sales will be generated from the likes of "Der Vorname" (pay-per-view) and "Dieses bescheuerte Herz" (pay-per-click).

At the TEAM Group, the marketing process for TV and sponsorship rights for the two UEFA club competitions for the 2021/22 to 2023/24 seasons is set to begin shortly. In this context, the upcoming finals on May 29 (UEFA Europa League) and on June 1 (UEFA Champions League) offer an ideal platform to discuss possible cooperations with existing and potential partners.

In the Sports segment, the focus in fiscal year 2019 remains on consistent multimedia content use, distribution, and capitalization. In addition to augmenting the portfolio by acquiring attractive new rights, extending existing partnerships and developing new content cooperations and business areas, cross-platform exploitation and the production of established pillars of programming also remain central. These include the core sports of football in particular (including Bundesliga, 2. Bundesliga, and – starting in August 2019 – DFB Pokal), as well as motorsports, ice hockey, basketball, volleyball, boxing, darts, tennis, US sports, and e-sports. In view of the continued massive growth in the digital and cross-platform use of media content, the Sports segment will also continue to promote the digital diversification of the SPORT1 brand while at the same time creating new content and marketing environments.

In light of this, we are confirming our annual forecast for consolidated sales, which are expected to amount to between CHF 520 million and CHF 540 million, and for consolidated net profit attributable to shareholders of between CHF 20 million and CHF 22 million.

Events after the balance sheet date

The management and the Board of Directors are not aware of any events that occurred after the balance sheet date and have a significant impact on the net assets, financial position and results of operations of the Highlight Group.

Notes and forward-looking statements

This document is a quarterly statement according to Section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse.

For calculation-related reasons, rounding differences of +/- one unit may arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

This document contains forward-looking statements that are based on estimates and expectations of the Group management. Words such as “anticipate”, “intend”, “expect”, “can/could”, “plan”, “intended”, “further improvement”, “target is” and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not historical facts. These are subject to risks, uncertainties and factors, of which most are difficult to assess and which in general are beyond the control of the Group management. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove to be incorrect, the actual results, performance or achievements of the Highlight Group may differ significantly from those described explicitly or implicitly in the forward-looking statements. Highlight Communications AG does not intend to continuously update the forward-looking statements contained in this document.

Although every effort has been made to ensure that the provided information and facts are correct, and that the opinions and expectations are reasonable, no liability or warranty as to the completeness, correctness, adequacy and/or accuracy of any forward-looking statements in this document is assumed.

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