



3Q2018

Quarterly Statement as of September 30, 2018

The nine-month figures of the Highlight Group were in line with expectations overall.

- Consolidated sales rose to CHF 336.4 million, up 34.8% on the figure for the previous year.
- At CHF 14.1 million, EBIT fell short of the prior-year figure (CHF 15.8 million) on account of the first-time consolidation of Constantin Medien AG.
- The same applies to the consolidated net profit for the period of CHF 6.0 million, which was also influenced by a decrease of the financial result.
- The share of earnings attributable to Highlight shareholders was CHF 6.5 million, corresponding to earnings per share of CHF 0.11.
- The equity ratio declined from 46.1% to 35.1% as a result of the first-time consolidation of Constantin Medien AG.

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2018	Jan 01 to Sept. 30, 2017	Change
Sales	336.4	249.5	34.8%
EBIT	14.1	15.8	-10.8%
Net profit for the period	6.0	9.0	-33.3%
Net profit attributable to shareholders	6.5	8.6	-24.4%
Earnings per share (in CHF)	0.11	0.17	-35.3%

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 nine months of 2017 are only of limited significance.

The increase in sales results from this first-time consolidation on the one hand (CHF 65.0 million) and higher external sales of the Film and Sports- and Event-Marketing segments on the other. However, capitalized film production costs and other own work capitalized remained stable year-on-year at CHF 110.6 million, with the result that the Group's total output rose to CHF 447.0 million (previous year's period: CHF 361.2 million). This also applies to other operating income, which climbed by CHF 1.6 million to CHF 11.4 million.

Consolidated operating expenses rose by CHF 89.1 million to CHF 444.3 million. This development primarily resulted from increases in the cost of materials and licenses (CHF 46.6 million), personnel expenses (CHF 21.6 million) and other operating expenses (CHF 15.8 million).

Above all, the lower EBIT resulted from the Sports segment, which contributed CHF -7.8 million to earnings for the period April to September 2018. In addition, the costs of holding activities rose by CHF 1.7 million to CHF 6.0 million. Furthermore, consolidated net profit for the period was affected by a decrease in the financial result of CHF 1.6 million.

In addition to the lower share of earnings attributable to shareholders, the sharp decline in earnings per share is due to a significant increase in the average number of shares in circulation (up 19.4%).

Net assets and financial position (in CHF million)

	Sept. 30, 2018	Dec. 31, 2017	Change
Balance sheet total	620.1	512.8	20.9%
Equity	217.7	236.4	-7.9%
Equity ratio (in %)	35.1	46.1	-11.0 points
Current financial liabilities	126.3	77.2	63.6%
Cash and cash equivalents	62.4	186.6	-66.6%

Non-current assets increased by CHF 232.9 million in total. This development is primarily due to a marked increase in goodwill (CHF 104.6 million) and other intangible assets (CHF 77.8 million) as a result of the first-time consolidation of Constantin Medien AG. Furthermore, the value of film assets increased by CHF 31.5 million.

Current assets were down by CHF 125.6 million compared to December 31, 2017, essentially on account of a significant reduction in cash and cash equivalents of CHF 124.2 million.

The main reasons for the reduction in equity are changes in the scope of consolidation – including in particular the first-time consolidation of Constantin Medien AG – and a higher number of treasury shares as well as the dividend payment. Equity was increased by the consolidated net profit for the period of CHF 6.0 million.

Operational and economic development of the Film segment

Theatrical production – Filming began on nine feature films in total in the third quarter of 2018, including the science fiction spectacle “Haven: Above Sky” and the political thriller “Der Fall Collini” starring Elyas M'Barek in the leading role. The movie is based on the international bestseller by Ferdinand von Schirach and is about one of Germany's biggest legal scandals. Filming also began on “Leberkäsjunkie”, the sixth big-screen adaptation of the extremely successful Rita Falk novels, and “Ostwind – Aris Ankunft”, part four in the similarly very well established youth's adventure series.

Theatrical distribution – The period from July to September 2018 saw the theatrical release of the licensed title “Papillon” and the two Constantin Film co-productions “Asphaltgorillas” and “Sauerkrautkoma”.

The Rita Falk adaptation “Sauerkrautkoma” performed very well, and was seen by more than a million viewers despite being shown almost exclusively in Bavarian and Austrian movie theaters. The movie therefore did even better than its predecessor “Grießnockerlaffäre” from 2017, increasing the series' total number of viewers to well over three million.

Home entertainment – New releases in the third quarter of 2018 included the Constantin Film own production “Dieses bescheuerte Herz” and the licensed titles “A Beautiful Day” and “Ménage à Trois”, with the latter going straight to video.

As anticipated, the adaptation of the bestseller “Dieses bescheuerte Herz” achieved good sales figures, getting into the top ten of the German DVD sales charts shortly after its release.

License trading/TV exploitation – In the period from July to September 2018, licenses began for the theatrical movies “Grießnockerlaffäre” (ARD, market share of 19.5% of the overall market), “Gut zu Vögeln” (ProSieben) and “Bruder vor Luder” (RTL2) on free-TV in addition to “Dieses bescheuerte Herz” (Sky, pay-per-view) on pay-TV.

TV service production – Double-digit market shares (overall market) for several TV service productions by Constantin Film AG or its subsidiaries in the third quarter of 2018, in particular the first four episodes of the miniseries “Die Heiland – Wir sind Anwalt” (broadcast in September 2018 on ARD) with a market share of between 16.7% and 13.7% and the “Der Kreuzweg” episode of the ZDF crime series “Kommissarin Lucas” (broadcast in July 2018) at 16.7%.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2018	Jan. 01 to Sept. 30, 2017	Change
Segment sales	224.4	205.5	9.2%
Segment earnings	4.0	0.5	700.0%

The rise in sales results primarily from strong revenue in home entertainment. This was based on the start of exploitation of the hit movies “Fack Ju Göhte 3” and “Dieses bescheuerte Herz”.

Other segment income, which is largely influenced by capitalized film production costs, fell by CHF 5.5 million to CHF 116.0 million as a result of the currently lower production volume. By contrast, segment expenses rose by CHF 9.9 million to CHF 336.4 million.

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

In the third quarter of 2018, the TEAM Group continued to focus on sales negotiations for the current marketing of rights (TV and sponsorship rights) for the UEFA Champions League and the UEFA Europa League for the 2018/19 to 2020/21 seasons. Further deals were signed for TV rights for Latin American and Asian markets. In addition, a new sponsor was secured for the UEFA Champions League.

Furthermore, progress was made in the ongoing process of the continuous development of the format and commercial concept for both competitions.

Staging of the UEFA Super Cup between Real Madrid CF and Club Atlético de Madrid in Tallinn, Estonia. TV broadcast of the event in more than 90 countries with around 50 million viewers. Audience interest was thus roughly at the previous year's level.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2018	Jan. 01 to Sept. 30, 2017	Change
Segment sales	47.4	44.0	7.7%
Segment earnings	23.8	19.6	21.4%

The increase in external sales of the Sports- and Event-Marketing segment stems from higher agency commission that the TEAM Group generated as a result of the new seasons 2018/19 to 2020/21.

In addition to the increase in sales, a rise in other income of CHF 0.8 million to CHF 0.9 million also contributed to the improvement in segment earnings.

Operational and economic development of the Sports segment

Further expansion of the SPORT1 programming portfolio in the third quarter of 2018, including the launch of new Highlight magazines ("3. Liga Pur" and "Futeboool! – Das brasilianische Fussball-Magazin"). In addition, attractive rights were acquired including the International Champions Cup (2018 to 2020), the easyCredit Basketball Bundesliga (BBL) for the next five seasons (up to and including 2022/23) and the FIA World Rallycross Championship 2018 and 2019. Moreover, "Fantalk" is now being broadcast on both Tuesdays and Wednesdays as well from the start of the 2018/19 UEFA Champions League season.

Free-TV market share stable at 0.7% among viewers aged three years and over, slightly below the level of the previous year's quarter in the new 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. As of September 30, 2018, the number of pay-TV subscribers was 2.11 million for SPORT1+ (September 30, 2017: 2.19 million) and 1.50 million for SPORT1 US (September 30, 2017: 1.47 million).

In the mobile segment, both page impressions and visits were down in the period from July to September 2018 compared to the third quarter of 2017. In particular, reporting on the 2018 World Cup did not achieve the high levels expected on account of the German team being knocked out early in the competition. The start of the new football season has had a positive effect with a rising number of hits from August.

Video views on the SPORT1 platforms continued to rise as against the same period of the previous year, particularly on the SPORT1 YouTube channels. This is mainly thanks to the continued process and structure optimization on all social media platforms and broader video and, in particular, live streaming content on YouTube.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2018	Jan. 01 to Sept. 30, 2017	Change
Segment sales	65.0	n/a	n/a
Segment earnings	-7.8	n/a	n/a

As a result of the first-time consolidation of Constantin Medien AG – 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 third quarter of 2018. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report of our 2017 annual report.

Forecast

In theatrical distribution, only the Sönke Wortmann picture "Der Vorname" will be released in German movie theaters in the fourth quarter of 2018. The comedy of manners featuring Iris Berben, Caroline Peters, Christoph Maria Herbst and Justus von Dohnányi was released in the middle of October and has so far been seen by more than 700,000 people.

In home entertainment, movies such as the Constantin Film co-production "Fünf Freunde und das Tal der Dinosaurier" and the licensed titles "The Etruscan Smile" and "Papillon" will be released before the end of the year.

In license trading/TV exploitation, the period from October to December 2018 will see the start of the licenses for "Dirty Grandpa" and "Timm Thaler oder das verkaufte Lachen" on free-TV and titles including "The Etruscan Smile" and "Fünf Freunde und das Tal der Dinosaurier" on pay-TV.

Constantin Film subsidiaries are preparing a number of new projects in TV service production before the end of the year, among them the feature film "Wendezeit" (starring Petra Schmidt-Schaller) for ARD as well as the episodes 29 and 30 of the popular ZDF crime series "Kommissarin Lucas".

The TEAM Group's activities will continue to focus on the best possible marketing of the TV and sponsorship rights for the UEFA Champions League and the UEFA Europa League for the 2018/19 to 2020/21 seasons until the end of the year. Another key area is the development of recommendations for designing the format and commercial concept for both competitions for the following seasons (2021/22 to 2023/24).

The Sports segment continues to focus on the systematic use, distribution and capitalization of multimedia content. In addition to augmenting the portfolio by acquiring attractive new rights, extending existing partnerships and developing new content cooperations and business areas, the cross-platform exploitation and production of established pillars of programming also remain central. These include the core sports of soccer, ice hockey, motorsports, boxing, basketball, volleyball, darts and US sports.

The forecast for the year of consolidated sales of between CHF 520 million and CHF 540 million and a consolidated net profit attributable to shareholders of between CHF 18 million and CHF 20 million is again confirmed.

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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