



3Q2016

Quarterly Statement as of September 30, 2016

Overall, the Highlight Group's figures for the first nine months were in line with expectations.

- Consolidated sales were up 20.5% year-on-year at CHF 278.4 million.
- EBIT of CHF 19.4 million was lower than in the previous year due to a significant increase in consolidated operating expenses.
- Consolidated net profit for the period was virtually unchanged at CHF 11.5 million (previous year: CHF 11.6 million).
- The share of profit attributable to Highlight shareholders amounted to CHF 11.1 million, corresponding to earnings per share of CHF 0.26.
- Net liquidity posted a significant increase of CHF 15.4 million to CHF 17.5 million.

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2016	Jan. 01 to Sept. 30, 2015	Change
Sales	278.4	231.1	20.5%
EBIT	19.4	23.0	-15.7%
Net profit for the period	11.5	11.6	-0.9%
Net profit attributable to shareholders	11.1	11.9	-6.7%
Earnings per share (in CHF)	0.26	0.27	-3.7%

Both the Film segment (+22.6 %) and the Sports- and Event-Marketing segment (+18.0 %) contributed to the increase in sales. Furthermore, capitalized film production costs and other own work capitalized increased by CHF 18.2 million to CHF 63.9 million, while other operating income declined by CHF 2.4 million to CHF 13.9 million.

Consolidated operating expenses rose by CHF 66.8 million to CHF 336.9 million. This development is attributable firstly to considerably higher amortization of film assets and secondly to a rise in the cost of materials and licenses in connection with productions.

The fact that the decline in EBIT is not reflected to the same extent in the consolidated net profit for the period is due chiefly to a CHF 1.7 million improvement in the financial result to CHF -5.0 million and a CHF 2.6 million decrease in tax expense (income taxes and deferred taxes).

Net assets and financial position (in CHF million)

	Sept. 30, 2016	Dec. 31, 2015	Change
Balance sheet total	376.8	458.0	-17.7%
Equity	96.7	103.8	-6.8%
Equity ratio (in %)	25.7	22.7	3.0 points
Current financial liabilities	89.7	104.3	-14.0%
Cash and cash equivalents	107.2	106.4	0.8%

Non-current assets posted a decline totaling CHF 46.4 million, primarily as a result of the exploitation-related decrease in film assets of CHF 37.4 million to CHF 163.7 million.

Current assets declined by CHF 34.7 million, mainly due to the decrease in trade accounts receivable and other receivables due from third parties (CHF -18.0 million) and in other financial assets (CHF -14.5 million).

As a result of the reduction in financial liabilities, net liquidity increased by CHF 15.4 million to CHF 17.5 million.

The decline in equity was due primarily to the purchase of treasury stock.

Operational and economic development of the Film segment

Theatrical production – In the third quarter of 2016, start of filming on a total of six theatrical movies, including the bestseller movie adaptation “Das Pubertier” (starring Jan Josef Liefers, Heike Makatsch among others), the drama “Nur Gott kann mich richten” starring Moritz Bleibtreu, the third part of the “Ostwind” series, and “In Zeiten des abnehmenden Lichts” – the screen adaptation of the award-winning novel by Eugen Ruge.

Theatrical distribution – In the period from July to September 2016, theatrical release of the two licensed titles “The BFG – Big Friendly Giant” and “The Light Between Oceans,” whose audience figures unfortunately fell short of expectations.

Very strong performance of the Constantin Film co-production “Schweinskopf al dente”: The third adaptation of the bestselling crime series by Rita Falk, which was shown almost exclusively in Bavarian cinemas, drew in around 516,000 moviegoers after six weeks.

Home entertainment – New releases in the third quarter of 2016 included the Constantin Film theatrical movies “Gut zu Vögeln,” “Dirty Grandpa” and “Ratchet & Clank”.

License trading/TV exploitation – In the period from July to September 2016, start of licenses for theatrical movies including “Fack Ju Göhte” and “The Famous Five 3” (both on ProSieben) in free-TV and for “Dirty Grandpa” (Sky) in pay-TV.

TV service production – Double-digit percentage market shares (overall market) for several TV service productions from Constantin Film AG or its subsidiaries in the third quarter of 2016; in particular, “Der Kroatien-Krimi” – a Constantin Television GmbH production – achieved a 16.7 % share (overall market) on September 22, 2016 on ARD.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2016	Jan. 01 to Sept. 30, 2015	Change
Segment sales	234.1	191.0	22.6%
Segment result	1.3	11.4	-88.6%

The rise in external sales in the Film segment was due mainly to sales from “Shadowhunters” – the Constantin Film Group’s first major international TV series production.

Other segment income, which is largely influenced by capitalized film production costs, increased by CHF 13.2 million to CHF 71.9 million due to the higher production volume at present. Segment expenses increased – due in particular to considerably higher amortization of films being exploited – by CHF 66.4 million to CHF 304.7 million.

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

In the third quarter of 2016, many successful talks with existing and potential partners – for both TV rights and sponsorship rights – in the marketing process for the 2018/19 to 2020/21 seasons of the UEFA Champions League and the UEFA Europa League.

Further focus on the final design of the format and the commercial concept of the two competitions for this three-year cycle.

In August, the TEAM Group also supported UEFA with the handling of the UEFA Super Cup in Trondheim/Norway and the annual draw for the group stages (UEFA Champions League and UEFA Europa League) in Monaco.

Broadcast of the UEFA Super Cup between Real Madrid CF and Sevilla FC in more than 90 countries watched by over 40 million viewers.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2016	Jan. 01 to Sept. 30, 2015	Change
Segment sales	44.1	37.3	18.2%
Segment result	19.2	16.4	17.1%

The increase in external sales of the Sports- and Event-Marketing segment was due to the higher agency commissions that the TEAM Group generated as a result of the successful marketing of the UEFA club competitions (2015/16 to 2017/18 seasons).

The loss of exchange rate gains from the measurement of balance sheet items resulted in a CHF 3.8 million decline in other segment income, while segment expenses remained virtually unchanged at CHF 25.0 million.

Operational and economic development of the Other Business Activities segment

Decision by the Board of Directors of Highlight Communications AG on February 2, 2016 to no longer to pursue the activities of the Other Business Activities segment and to sell the equity investment in Highlight Event & Entertainment AG to Bernhard Burgener. For further details, please refer to the chapter “Divestments” of this quarterly statement.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2016	Jan. 01 to Sept. 30, 2015	Change
Segment sales	0.2	2.8	-92.9%
Segment result	2.7	-0.7	485.7%

The current external sales of the Other Business Activities segment cannot be compared with those for the previous year on account of the sale of Highlight Event & Entertainment AG and Pokermania GmbH in the first quarter of 2016. Overall, however, these deconsolidations led to a significant improvement in the segment result.

Report on risks and opportunities

The majority shareholder intends to sell the Film segment and focus on the Sports- and Event-Marketing segment. The sale of the Film segment could give rise to significant cluster risks for the Highlight Group.

A detailed description of the risk management system and the rest of the risk and opportunity profile can be found in the management report in our 2015 annual report.

Outlook

In theatrical distribution, a total of five releases in German movie theaters are planned for the fourth quarter of 2016, including the Constantin Film co-production “Verrückt nach Fixi” and the bestseller adaptation “Girl on the Train” – both of which have already been released – as well as the licensed titles “Dirty Cops: War on Everyone,” “Florence Foster Jenkins”, and “Office Christmas Party”. “Timm Thaler” will be released in 2017.

In the license trading/TV exploitation business area, start of licenses for the theatrical movies “Mara und der Feuerbringer” and “Tarzan” in free-TV as well as for movies such as “Bruder vor Luder” and “Ostwind 2” in pay-TV in the period from October to December 2016.

In TV service production, the Constantin Film subsidiaries are preparing several more projects, including “Alle meine Frauen” and “Der Kroatien-Krimi, part 3 and 4” up to the end of the year.

The TEAM Group’s activities will continue to focus on optimum 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 up until the end of the year.

The previous forecast for consolidated net profit attributable to shareholders of between CHF 18 million and CHF 20 million remains unchanged. Based on the operating business development to date and from today’s perspective, we are now expecting to generate consolidated sales of between CHF 410 million and CHF 430 million in 2016 as a whole.

Divestments

As published in the ad-hoc disclosure of February 2, 2016, sale of the equity investment in the fully consolidated company Highlight Event & Entertainment AG (75.37%) to Bernhard Burgener by Highlight Communications AG on February 3, 2016. Sale price of CHF 18.3 million consists of a cash payment of CHF 4.6 million and 2,200,000 bearer shares of Highlight Communications AG held by the buyer, with a value equivalent of CHF 13.7 million.

Sale of the associated shareholdings in Paperflakes AG, Holotrack AG and Kuuluu Interactive Entertainment AG and of the equity investment in Pulse Evolution Corporation. Sale of the equity investment in the fully consolidated company Pokermania GmbH (50.004%) to minority shareholder by Highlight Communications AG on March 31, 2016. Gain on deconsolidation of CHF 1.9 million. In this context, the remaining receivable from Pokermania GmbH and Kuuluu Interactive Entertainment AG was written down in profit or loss.

Due to the divestments made in the first quarter, the accounting profit totals CHF 0.6 million taking into account other operating income from deconsolidation of CHF 5.8 million less operating expenses of CHF 3.2 million and financial expenses of CHF 2.0 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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