



# Highlight

Highlight Communications AG



## 1Q2017

# Quarterly Statement as of March 31, 2017

The Highlight Group's sales and earnings developed in line with expectations in the first quarter of 2017.

## Economic development of the Highlight Group

### *Sales and earnings (in CHF million)*

	1Q2017	1Q2016	Change
Sales	80.0	128.1	-37.5%
EBIT	2.4	8.7	-72.4%
Net profit for the period	0.8	5.5	-85.5%
Net profit attributable to shareholders	0.7	5.4	-87.0%
Earnings per share (in CHF)	0.02	0.12	-83.3%

The decline in sales is attributable to the Film segment, which had generated exceptionally high sales in the first three months of the previous year. In addition, capitalized film production costs and other own work capitalized decreased by CHF 8.4 million to CHF 38.6 million and other operating income fell by CHF 5.7 million to CHF 2.3 million.

Consolidated operating expenses were down 32.0% or CHF 55.8 million at CHF 118.5 million, particularly due to considerably lower amortization on film assets and a production-related decrease in the cost of materials and licenses.

In the previous year's period, both EBIT and consolidated net profit for the period had benefited from extraordinary effects due to the deconsolidation of the Highlight Event and Entertainment Group and Pokermania GmbH.

The fact that the decline in EBIT is not reflected to the same extent in the consolidated net profit for the period is mainly due to a CHF 1.1 million improvement in net finance costs to CHF -1.1 million and a CHF 0.6 million decrease in tax expenses (current taxes and deferred taxes).

### *Net assets and financial position (in CHF million)*

	March 31, 2017	Dec. 31, 2016	Change
Balance sheet total	357.0	368.5	-3.1%
Equity	136.4	135.3	0.8%
Equity ratio (in %)	38.2	36.7	1.5 points
Current financial liabilities	61.2	52.3	17.0%
Cash and cash equivalents	90.3	88.5	2.0%

Non-current assets posted an increase totaling CHF 2.9 million, which was primarily attributable to a CHF 5.3 million rise in non-current receivables from third parties. At CHF 125.0 million, the value of film assets was down slightly compared to the end of 2016 (CHF 127.3 million).

Current assets declined by CHF 14.4 million, chiefly due to the reduction of trade accounts receivable and other receivables due from third parties (down CHF 16.2 million).

As a result of the increase in financial liabilities, net liquidity declined by CHF 7.1 million to CHF 29.1 million.

The increase in equity is primarily due to the consolidated net profit for the period.

## Operational and economic development of the Film segment

Theatrical distribution – Theatrical release of the Constantin Film own and co-productions “Resident Evil: The Final Chapter” (January 26, 2017) and “Timm Thaler” (February 2, 2017) as well as the licensed title “A Dog’s Purpose” (February 23, 2017), with audience figures unfortunately falling short of expectations.

Home entertainment – Continued good sales figures for the catalog titles “Fack Ju Göhte” (parts 1 and 2), “Look Who’s Back” and “Ostwind” (parts 1 and 2). New releases in the first quarter of 2017 included the licensed title “The Light Between Oceans” and the Constantin Film co-production “Verrückt nach Fixi.” Although these two films did not achieve the desired results in terms of physical sales, they performed at a very good level in digital exploitation (electronic sell-through and video-on-demand).

License trading/TV exploitation – Start of licenses for theatrical movies including “Pompeii” (ProSieben) and “Tarzan 3D” (SAT.1) in free-TV and “Fack Ju Göhte 2” (Sky) in pay-TV.

TV service production – Start of filming for “Der Kroatien-Krimi” (parts 3 and 4) for ARD/Degeto at Constantin Television GmbH. Start of filming and preproduction work for the two series “Die Protokollantin” (5 x 60 minutes) for ZDF and “Die Geschichte eines Parfums” (6 x 60 minutes) for ZDFneo at Moovie GmbH.

Double-digit market shares (overall market) for several Constantin Film Group TV service productions in the first quarter of 2017; particularly for “Das Sacher. In bester Gesellschaft” – a Moovie GmbH production for ZDF – on January 16 at 20.9%.

*Sales and earnings (in CHF million)*

	1Q2017	1Q2016	Change
Segment sales	65.5	113.1	-42.1%
Segment earnings	-2.7	0.5	-640.0%

The decline in external sales is primarily due to the fact that exceptionally high income was generated in the first quarter of 2016 due to the start of exploitation of “Fack Ju Göhte 2” in home entertainment and the launch of the TV series “Shadow-hunters” in the US.

Other segment income, which is largely influenced by capitalized film production costs, declined by CHF 8.2 million, while segment expenses fell by CHF 52.7 million to CHF 109.1 million, particularly due to considerably lower amortization on films in exploitation.

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

In the marketing process for the commercial rights to the UEFA Champions League and the UEFA Europa League for the 2018/19 to 2020/21 seasons, initial important agreements were concluded both for TV rights and for sponsorship rights.

Another focus in the reporting period was the further development of the commercial concept for both competitions for these seasons.

*Sales and earnings (in CHF million)*

	1Q2017	1Q2016	Change
Segment sales	14.5	14.7	-1.4%
Segment earnings	6.8	6.7	1.5%

The slight increase in segment earnings compared to the first quarter of the previous year resulted from a CHF 0.2 million decline in segment expenses.

**Operational and economic development of the Other Business Activities segment**

The former Other Business Activities segment was discontinued in the first quarter of 2016 by way of resolution of the Board of Directors.

*Sales and earnings (in CHF million)*

	1Q2017	1Q2016	Change
Segment sales	0.0	0.2	n/a
Segment earnings	0.0	2.7	n/a

## Report on risks and opportunities

There were no changes in the Highlight Group's risks and opportunities in the first quarter of 2017. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report of our 2016 annual report.

## Outlook

Based on the fact that the German Federal Film Fund is being increased from EUR 50 million to EUR 75 million in the current year and is to be raised to as much as EUR 125 million starting from January 1, 2018, there are very good future prospects in the field of theatrical production.

In theatrical distribution, another 14 film releases are currently planned, with the focus being on the second half of 2017. During this period, films including the youth adventure "Ostwind – Aufbruch nach Ora," the adaptation of the Rita Falk novel "Griessnockerlaffäre" and the third part of "Fack Ju Göhte" will be released in German movie theaters.

In home entertainment exploitation, we continue to anticipate good sales figures for our catalog products and new releases. With regard to new releases, this particularly applies to the comedy "Dirty Office Party" starring Jennifer Aniston and Jason Bateman, the action spectacular "Resident Evil: The Final Chapter" and the tragicomedy "Florence Foster Jenkins" starring Meryl Streep in the title role.

In the second quarter of this year, the free-TV segment of the license trading/TV exploitation business area will mainly be dominated by sales from the theatrical movies "Step Up All In," "Männerhort" and "Wrong Turn 6: Last Resort." In pay-TV exploitation, sales will be generated by productions including "Gut zu Vögeln" and "Dirty Grandpa".

The TEAM Group will continue to focus on optimum global marketing of the TV and sponsorship rights for the two UEFA club competitions for the 2018/19 to 2020/21 seasons.

In light of this, we are confirming our annual forecast for consolidated sales, which are expected to amount to between CHF 360 million and CHF 380 million, and for consolidated net profit attributable to shareholders of between CHF 18 million and CHF 20 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.*

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