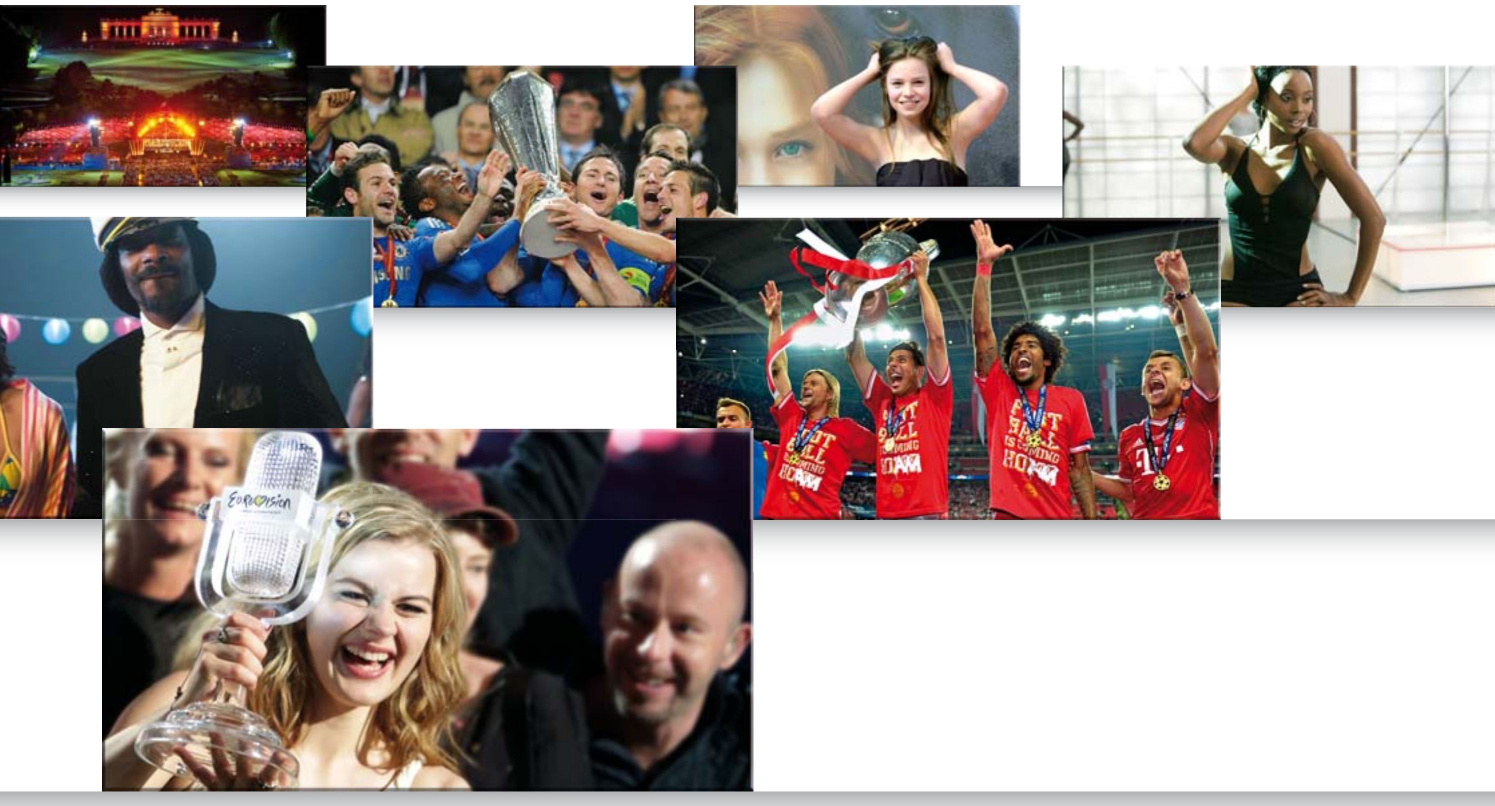
Highlight

Highlight Communications AG

Interim Report
as of June 30, 2013



Made it!
After a number of disappointments over the past four years, FC Bayern München triumphed in the 2013 UEFA Champions League final.

Highlight Communications AG, Pratteln, Switzerland

Film

100%

Constantin Film AG
MUNICH, GERMANY

Subsidiaries of
Constantin Film AG

Constantin Film Schweiz AG
PRATTELN, SWITZERLAND

100%

Highlight Communications (Deutschland) GmbH
MUNICH, GERMANY

Rainbow Home Entertainment AG
PRATTELN, SWITZERLAND

Rainbow Home Entertainment GmbH
VIENNA, AUSTRIA

Sports- & Event-Marketing

100%

Team Holding AG
LUCERNE, SWITZERLAND

T.E.A.M. Television Event And Media Marketing AG
LUCERNE, SWITZERLAND

Team Football Marketing AG
LUCERNE, SWITZERLAND

Other Business Aktivities

68.63%

Highlight Event & Entertainment AG
DÜDINGEN, SWITZERLAND

Highlight Event AG
LUCERNE, SWITZERLAND

Members of the Highlight Group

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PREFACE

Dear shareholders and other interested parties,

In the first half of 2013, the Highlight Group generated sales and earnings in line with the expectations for the current year.

The German movie market posted a slight year-on-year increase in audience figures in the first half of 2013, but revenues rose significantly as a result of higher ticket prices for 3D films: Income of around EUR 462 million was generated in the first six months of this year, up 6.5 % on the same period in 2012 (around EUR 434 million).

In the theatrical distribution business area, Constantin Film AG and its subsidiaries can look back at a relatively quiet second quarter. Since a large number of high-profile Hollywood productions were launched in Germany in this period, it released only one new movie in theaters, “Scary Movie 5”. Despite strong competition the licensed title performed well, attracting close to 800,000 viewers by the end of the quarter. The co-production “Ostwind”, released at the end of March, met with equally positive audience response, allowing the Constantin Film Group to achieve an overall market share of 6.5 % of viewers and 5.4 % of revenues in the first half of 2013.

On the German home entertainment market, which remains on a growth path, we largely maintained our market position with attractive new releases and high-selling secondary market releases. At the top of our slate for the first half of the year was the Constantin Film own production “Resident Evil: Retribution”, of which we sold around 275,000 units in German-speaking countries up to the end of June. The licensed title “Step Up Revolution” was also among the top sellers in the first six months.

In this environment, the Film segment generated external sales of CHF 130.7 million, up 9.8 % as against the first half of 2012 (CHF 119.0 million). Sales in the first half of 2013 were marked by the theatrical hits “The Famous Five 2”, “Ostwind” and “Scary Movie 5”, strong sales figures in home entertainment exploitation, and a stable positive development in the TV service production business area. Segment expenses rose by 19.1 % to CHF 188.6 million, particularly due to the considerably higher cost of materials and licenses in connection with productions. Segment earnings for the first half of the year amounted to CHF 1.6 million. We do not expect significant earnings contributions for the year as a whole until the third and fourth quarters – depending on audience figures for the major releases.

At the TEAM Group, activities in the second quarter focused on active support for its commercial partners and UEFA. The highlight here was undoubtedly the UEFA Champions League final at the end of May, which saw Borussia Dortmund take on FC Bayern München in the world-famous Wembley Stadium. The game was watched in more than 200 countries worldwide by an average audience of approximately 150 million viewers. In Germany, the free TV broadcasting of the first-ever all-German final achieved a market share of 61.9 % of the total audience – the highest reach ever achieved by a Champions League final on German TV.

External sales of the Sports- and Event-Marketing segment posted a decline of CHF 18.9 million to CHF 24.0 million. This decline was due essentially to changes in the business relationship with UEFA, including handing over match organization to UEFA. As a result of the targeted reduction of segment expenses by CHF 8.6 million to CHF 15.2 million, a segment result of CHF 8.8 million was generated. As expected, this was lower than the previous year’s figure but approximately at a similar level to the two previous quarters as planned.

Highlight Event AG's activities initially focused on the successful delivery of the 58th Eurovision Song Contest, which was held this year in Malmö, Sweden. The live coverage of the grand final again achieved excellent viewing figures in many European countries. This was followed at the end of May by the Vienna Philharmonic Orchestra's open-air Summer Night Concert, which was broadcast worldwide on TV or radio. In the TV sector in particular, Highlight Event AG recorded a major success, selling broadcasting rights in more than 70 countries (previously 61).

The Other Business Activities segment generated external sales of CHF 1.6 million (previous year's period: CHF 1.8 million) and other income of CHF 0.5 million (previous year's period: CHF 0.9 million). After deducting expenses of CHF 3.5 million (previous year's period: CHF 4.1 million), the segment posted a loss for the first half of 2013 of CHF 1.4 million (previous year's period: CHF 1.5 million).

As expected, the Highlight Group's consolidated sales were down slightly at CHF 156.4 million as compared to the previous year's figure of CHF 163.6 million. By contrast, a significantly higher production volume resulted in a CHF 24.0 million increase in capitalized film production costs and other own work capitalized to CHF 49.7 million (previous year's period: CHF 25.7 million). The Highlight Group's total output therefore rose from CHF 189.3 million to CHF 206.1 million.

Other income fell from CHF 14.9 million to CHF 9.8 million, while consolidated operating expenses posted a production-related increase from CHF 188.7 million to CHF 209.9 million.

As a result of the change in the contract situation with UEFA and the pending theatrical releases, the profit from operations of CHF 5.9 million (previous year's period: CHF 15.5 million) was in line with planning. The consolidated net profit amounted to CHF 4.4 million, of which CHF 4.2 million was attributable to Highlight's shareholders.

As reported, the focus of this year's distribution slate is on the second half of the year. Based on the resulting good operational prospects, particularly in view of the major releases of "The Mortal Instruments: City of Bones", "Tarzan (3D)" and "Fack ju Göhte", we continue to anticipate consolidated sales of between CHF 350 million and CHF 400 million for the Highlight Group in 2013 as a whole.

HIGHLIGHT COMMUNICATIONS AG STOCK

Development of the capital markets

The positive sentiment on the international equity markets that had characterized the first quarter of 2013 also continued to a large extent in April and May. Boosted by good economic and company data, a positive performance by the US economy and the hope of an easing of the euro crisis, many benchmark indices reached new record highs.

However, there was a significant reversal in June after the president of the US central bank announced that bond purchases by the Federal Reserve, which currently amount to USD 85 billion per month, could be discontinued as early as mid-2014. This announcement led to general uncertainty and a stock market slide due to market participants' fears that the Federal Reserve might begin curbing its bond purchases in autumn 2013 already.

Despite this setback, the US Dow Jones Industrial Average Index, which closed at 15,024 points at the end of June, rose by another 3.1% in the second quarter and posted an increase of 14.7% in the first half of the year. The Japanese Nikkei 225 performed even better, climbing 10.3% to 13,677 points in the second quarter and thus achieving a performance of 31.6% in the first six months of the current year.

The Swiss Market Index (SMI) maintained its top position among the European benchmark indices as of the end of the first half of 2013. In mid-May it reached a level of 8,400 points, roughly 23% higher than its closing quotation for 2012. However, it subsequently fell by almost 9% as a result of the market correction and closed trading at 7,683 points. It therefore marked a decline of 1.7% in the second quarter of 2013 (increase of 12.6% since the beginning of the year).

In contrast, the DAX, which closed at 7,959 points, climbed by 2.1% in the period from April to June and posted an increase of 4.6% for the first half of the year. The SDAX small cap index, which also includes the Highlight stock, generated an increase of 1.7% in the second quarter (10.4% since the beginning of the year) to close trading at 5,795 points. However, it was significantly outperformed by the index for German media stocks (DAXsector Media), whose closing quotation of 253 points corresponds to a rise of 16.1% in the second quarter and 38.6% since the beginning of the year.

Performance of Highlight stock in the second quarter of 2013

Highlight's share price did not benefit from the generally positive stock market climate in April and May. Starting from a level of EUR 4.43 as of the end of the first quarter, the share price generally moved downwards in the first four trading weeks to reach EUR 4.20 at the end of April. A substantial downward correction in early May, pushing the price down to EUR 4.00, was compensated again over the rest of the month, meaning that at the end of May Highlight's share price was back at EUR 4.20.

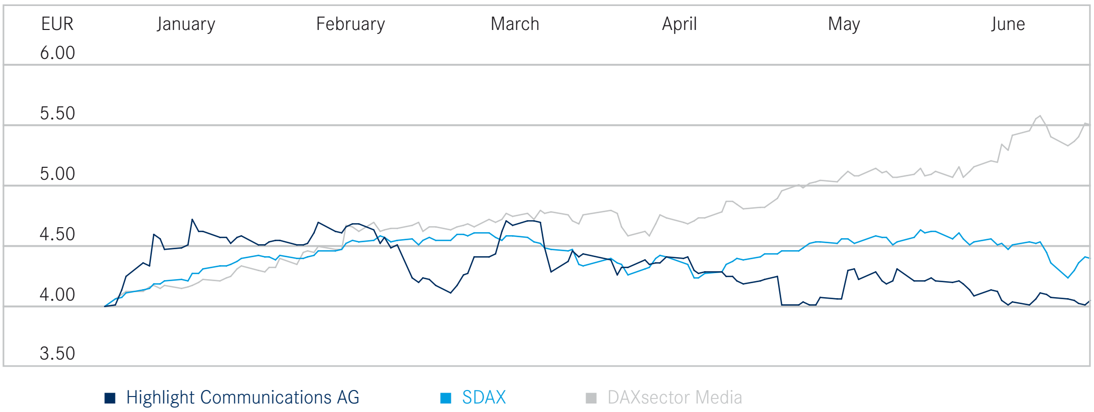
Almost the whole of June was then impacted by the general market weakness, which again led to a steady downward trend ending at EUR 4.00. On the last trading day of the period, the share price recovered slightly to close at EUR 4.04, corresponding to an 8.8% price drop in the second quarter. However, this represents a slight increase of 1.5% in comparison to the beginning of the year. As of the end of the first half of 2013, the 52-week high was EUR 4.79 (March 19, 2013) while the 52-week low was EUR 3.29 (July 3, 2012).

In the period from April to June 2013, 2.17 million Highlight shares (second quarter of 2012: approximately 2.08 million) were traded on Deutsche Börse AG's Xetra trading system. The average per trading day thus increased to 34,450 (second quarter of 2012: 33,500). The same applies when considering the first half of the year, during which the trading volume increased significantly from 4.8 million shares (37,900 shares per trading day) to 5.5 million (approximately 44,100 shares per trading day).

In Deutsche Börse AG's corresponding ranking for the MDAX and SDAX segments, Highlight stock was in 98th place as of June 30, 2013 (March 31, 2013: 96th place). In terms of free float market capitalization, the stock was ranked 104th (March 31, 2013: 101st).

Xetra closing prices of Highlight stock compared to SDAX and DAXsector Media

Indices indexed at Highlight closing price as of December 31, 2012 for comparison.



Subscribed capital and shareholder structure

There were no changes in Highlight Communications AG's subscribed capital in the second quarter of 2013. As of June 30, 2013, it still amounted to CHF 47.25 million, divided into 47.25 million bearer shares each with a nominal value of CHF 1.00. The company acquired a total of 459,083 treasury shares without voting rights in the period under review, resulting in a total amount of around 1.62 million treasury shares as of the end of the second quarter of 2013. This corresponds to 3.4 % of the subscribed capital. Excluding these shares, there were 45.63 million shares in circulation.

Constantin Medien AG still holds 47.3 % of Highlight's shares, while the latest confirmed holdings show that around a further 8.3 % are owned by DWS Investment GmbH. In addition, members of the Board of Directors as well as private and institutional investors hold significant share packages. As of June 30, 2013, the free float amounted to 49.3 % in accordance with the definition set out by Deutsche Börse AG.

Investor relations activities

From the start, the Highlight Group's strategy has been focused on the sustainable increase of enterprise value. Continuous, open communication with capital market participants forms a key element of this strategy. We therefore provide the target group of financial analysts, fund managers and institutional investors with comprehensive information at a large number of individual meetings in order to make it easier for them to assess our current business situation and the future development of the Highlight Group. In addition, we also conduct roadshows and presentations at important financial centers.

However, the central information tool for all interested parties remains our website (www.highlight-communications.ch). Based on the principle of fair disclosure, all relevant information on the company is published there in a timely manner. This primarily relates to our annual and interim reports, press releases and ad-hoc disclosures, which can be read online or ordered from us in printed form free of charge at all times. Our newsletter service provides an even more convenient option: after registering online, users receive all of our publications immediately and automatically by e-mail.

A large number of research institutions currently track Highlight stock. Currently, the following studies with price targets have been compiled:

Close Brothers Seydler Research	Rating: Buy	Price target: EUR 6.00
DZ Bank	Rating: Buy	Price target: EUR 8.00

Information on Highlight stock as of June 30, 2013

ISIN/ticker	CH 000 653 9198/HLG
Indices	SDAX, DAXsector Media
Closing price	EUR 4.04
52-week high	EUR 4.79
52-week low	EUR 3.29
Subscribed capital	CHF 47.25 million
Shares in circulation	45.63 million
Market capitalization (in relation to shares in circulation)	EUR 184.3 million

Directors' dealings/shareholdings of executive bodies as of June 30, 2013

In the second quarter of 2013, Highlight Communications AG received no notifications from members of the Board of Directors or the management of the Group regarding acquisition or sales transactions subject to reporting.

As of June 30, 2013, the Chairman and Delegate of the Board of Directors Bernhard Burgener and Board of Directors member René Camenzind each held direct or indirect shareholdings amounting to more than 1% of the subscribed capital. The shareholdings and share interest from options of the individual members of the Board of Directors and the management of the Highlight Group (including related parties) were as follows as of June 30, 2013:

Board of Directors	Shareholdings	Share interest from options
Bernhard Burgener, Chairman and Delegate, executive member	1,950,000	–
Martin Wagner, Vice Chairman, executive member	–	–
Antonio Arrigoni, non-executive member	–	–
René Camenzind, non-executive member	628,715	–
Dr. Erwin V. Conradi, non-executive member	177,000	–
Dr. Dieter Hahn, non-executive member	21,000	–
Martin Hellstern, non-executive member	200,000	–
Dr. Ingo Mantzke, executive member	100,000	–
Group management		
Dr. Paul Graf, Managing Director	–	–
Peter von Büren, Managing Director	–	–

INTERIM MANAGEMENT REPORT

Operating activities and Group structure

Highlight Communications AG is an internationally oriented strategic and financial holding company that operates through its operational subsidiaries in the Film, Sports- and Event-Marketing as well as Other Business Activities segments.

In its Film segment, Highlight Communications AG wholly owns Constantin Film AG, Munich, which, together with its subsidiaries and equity interests, is Germany's leading independent producer and distributor of theatrical movies. Its activities comprise production of films and exploitation of the rights to the films it produces and acquires. Self-produced films are usually marketed worldwide, and third-party productions mainly in German speaking countries. In doing so, all levels of the exploitation chain (theatrical distribution, DVD/Blu-ray releases and TV broadcasting) are fully utilized. In addition to theatrical movies, the Constantin Film Group produces fictional and non-fictional products for German and foreign TV broadcasters.

On the Swiss movie market, the Highlight Group is represented by Constantin Film Schweiz AG, Pratteln, which is indirectly wholly-owned by Highlight Communications AG. The company specializes in the production and distribution of movie, television and video productions as well as providing entertainment and new media services.

Highlight Communications AG has its own distribution organization to best exploit its DVD/Blu-ray rights for in-house and licensed films. Distribution in Switzerland and Austria is performed by the Rainbow Home Entertainment subsidiaries, which are wholly-owned by the company. Highlight Communications (Deutschland) GmbH cooperates with Paramount Home Entertainment on the German market.

In the Sports- and Event-Marketing segment, Highlight Communications AG wholly owns Team Holding AG (TEAM). Based in Lucerne, the TEAM Group specializes in global marketing of major international sports events. As one of the world's leading agencies in this area, it exclusively markets the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup on behalf of the Union of European Football Associations (UEFA).

The Other Business Activities segment includes the activities of Highlight Event & Entertainment AG, Düdingen, in which Highlight Communications AG holds a 68.63 % stake. The company operates in the event and entertainment business and owns the marketing mandates for the Eurovision Song Contest and the Vienna Philharmonic Orchestra. Highlight subsidiary Rainbow Home Entertainment AG holds a 50.004 % stake in full-service agency Pokermania GmbH, Cologne, which spezialized in the development of online gaming business models and the market of social gaming. Pokermania's activities are attributed to the Other Business Activities segment.

Control system and performance indicators

Highlight Communications AG's Board of Directors is responsible for the strategic orientation and management of the Highlight Group. In contrast, the responsibility for operating activities lies with the management body of the relevant subsidiary. At Team Holding AG, this body is the Board of Directors, which currently consists of four members, at Constantin Film AG it is the Management Board which is also made up of four people, while Highlight Event & Entertainment AG has a three-member Board of Directors.

The primary objective of the Highlight Group is to increase enterprise value on a sustainable basis. A value management system was developed and introduced to plan, manage and control business operations. The key financial parameters are the profit from operations (EBIT) and the EBIT margin calculated as the ratio of EBIT and sales. Another key parameter is earnings per share.

Important events in the second quarter

At the beginning of April 2013, the Constantin Film Group was awarded the "Golden Industry Tiger" in the categories of production and distribution for the ninth time when the German Federal Film Board awarded reference funding for 2012. This award comes with reference funding totaling around EUR 2.15 million for production and funding of EUR 0.59 million for distribution.

At the Annual General Meeting of Highlight Communications AG held on May 31, 2013, our company's shareholders unanimously approved all proposals by the Board of Directors. In particular, the activities of all members of the Board of Directors in 2012 were approved, and the members were then re-elected for fiscal year 2013. In addition, distribution of a dividend of CHF 0.17 per bearer share for fiscal year 2012 was approved.

The three-part TV series "Das Adlon. Eine Familiensaga", produced by the Constantin Film subsidiary MOOVIE – the art of entertainment GmbH for ZDF, won the coveted Magnolia Award at this year's Shanghai Television Festival. The film about the history of the world-famous luxury hotel in Berlin won the "Best TV Film or Miniseries" category, beating strong international competition.

On June 25, 2013, Constantin Film AG announced its collaboration with Mediakraft Networks GmbH, Germany's largest Internet TV broadcaster with portals such as YouTube and Clipfish. The aim of the cooperation is to provide high-class entertainment on a digital platform for a young audience. To this end, both companies intend to link up theatrical and online TV content and produce new formats for both media types. In addition, Mediakraft Networks will help Constantin Film AG to increase the reach of its film trailers on YouTube and safeguard its rights to original Constantin Film content on this video portal.

On June 27, 2013, Constantin Film AG concluded a new master licensing agreement with ProSiebenSat.1 Media AG. For a period of two years, this agreement covers free TV and video-on-demand exploitation rights to all Constantin Film own and co-productions for which shooting starts after the beginning of 2013. In addition, ProSiebenSat.1 has acquired the exclusive pay-TV rights to other selected productions.

At the twelfth "Der weisse Elefant" children's media awards ceremony, held at the Filmfest München, the Constantin Film co-production "Ostwind" won two awards: The prize in the "Best Film Director" category went to Katja von Garnier, and the prize for "Best Young Actress" went to Hanna Binke, who played the leading role.

At the end of the second quarter of 2013, Pokermania GmbH launched a cooperation with Palado GmbH, a wholly-owned subsidiary of Gameforge AG, one of the world's largest online gaming publishers for fantasy, role-playing and strategy games. This collaboration means that new user groups in other international markets can be addressed and tapped into.

Report on business performance and the situation in the Film segment

Theatrical production/acquisition of rights

The amended version of the German Film Subsidies Act (FFG), which comes into force on January 1, 2014, was adopted by the German Bundestag on June 12, 2013. The German Bundesrat approved this amended version in its session on July 5, 2013. To take into account the rapid technological change in the industry, the future FFG will be valid for only three years instead of the previously usual five. The significant changes in the amended version include in particular an extension of the levy requirement to video-on-demand providers based outside Germany, increased flexibility of holdback periods and inclusion of digitization of older movies in the tasks of the FFA.

All committee resolutions from the negotiating partners (German Producers' Alliance, the ver.di trade union and the Union of German Actors and Theatrical Workers) on the "Supplementary Bargaining Agreement on Movie Income Sharing", which also comes into force on January 1, 2014, have been in place since June 13, 2013. One aspect of this is appropriate remuneration for originators and performing artists who are employed in the context of a movie. Under the new collective agreement, they are to share in the income of the respective theatrical production.

The decision by the German Federal Constitutional Court on potential discrepancies in fee payment obligations under the FFG (including an examination of the fundamental question of whether the German Federal Government has the necessary legislative authority to pass the FFG) was originally planned for June or July 2013. However, it has not yet been taken, and is now provisionally scheduled for the fall of 2013. If the answer to the question of the German Federal Government's legislative authority is no, this could have a negative impact on the structure of film grant funding in Germany.

At the Constantin Film Group, the first take of the Rat Pack production "Fack ju Göhte" was completed at the end of April. Directed by Bora Dagtekin, the movie has a cast including Elyas M'Barek, Karoline Herfurth and Katja Riemann. Filming was completed at the end of the second quarter. The movie will be released in mid-November of this year.

In mid-May, filming started in Toronto on the romantic comedy "Love, Rosie", which is based on the best-selling novel of the same name by Cecelia Ahern. This international own production is directed by Christian Ditter and stars Lily Collins and Sam Claflin. "Love, Rosie" is due for theatrical release in 2014.

Another movie to hit the screens in 2014 is the 3D action adventure "Pompeii" from the director Paul W.S. Anderson. Shooting of this Constantin Film co-production with Impact Pictures began in March 2013 and was successfully completed in July.

This year's film market in Cannes, a major event for the rights acquisition unit, was quieter than in previous years, with a particularly low number of attractive movies in the project stage.

Even so, the Constantin Film Group acquired three international films there: "Step Up 5" (3D), the latest sequel to the successful dance franchise, was bought from Lionsgate/Summit. The other acquisitions were an Andrew Niccol project ("Untitled Drones Project"), telling the story of a former fighter pilot who now flies drones, and an as yet untitled Elmore Leonard adaptation – a gangster comedy starring Jennifer Aniston and Dennis Quaid.

TV service production

Following debate in the first quarter of 2013 on the position of German theatrical movies in public-sector TV, the controversy heated up further in the period under review. This development was particularly triggered by Bayerischer Rundfunk's stated intention to reduce its commitment to movies.

In response, more than a dozen industry associations – including the German Producers' Alliance and the Union of German Actors and Theatrical Workers – joined forces and published a joint resolution calling for a clear commitment to theatrical movies from public-sector broadcasters. This resolution includes, amongst other things, a call for long-term funding for the film industry set at 3.5% of the overall budget of the public-sector broadcasters. With current annual income of EUR 8.38 billion, this would mean around EUR 290 million for theatrical co-productions, license purchases and film funding.

The second quarter of 2013 also saw two TV productions of the Constantin Film Group attract much higher audiences than expected: The miniseries "Verbrechen", based on the bestseller by Ferdinand von Schirach and filmed by MOOVIE – the art of entertainment GmbH on behalf of ZDF, achieved an impressive market share of 14.5% in the target demographic of 14-to-49-year-olds when the last of three double episodes was shown in mid-April. This was the highest figure of all fiction programs shown by ZDF that day.

The MOOVIE melodrama “Tessa Hennig: Mutti steigt aus”, starring Rita Russek, Maren Kroymann and Eleonore Weisgerber, was broadcast on primetime on ZDF in mid-May 2013 and achieved an outstanding market share of 15.0 % of the total audience (5.13 million viewers).

On the production side, MOOVIE – the art of entertainment started filming of the new ZDF project “Der Clan. Die Geschichte der Familie Wagner” at the end of May 2013. This lavish major production stars Iris Berben, Justus von Dohnányi, Petra Schmidt-Schaller and Heino Ferch. No transmission date has been set yet.

At Constantin Entertainment GmbH, the positive trend of developing more TV projects in Germany was confirmed in the second quarter of 2013. With “Dating Queen” (20 episodes commissioned), “Fashion Stars” (20 episodes in the commissioning process), “Love Stories” (five to 20 episodes in the commissioning process), “Im Namen der Gerechtigkeit” (five episodes produced) and “Untreu” (presented with a good response from the broadcaster), Constantin Entertainment is again the Sat.1 partner for developing daily formats.

Following Constantin Entertainment’s conclusion of production partnerships with Kaya Yanar (six shows and a stage show) and Mario Barth (16 episodes of “Willkommen bei Mario Barth”), the successful collaboration with RTL on comedy productions is also to be extended further. Two further one-off events with Mario Barth and a second season of “Typisch Deutsch?!” with Kaya Yanar are already scheduled for RTL this year. In addition, four episodes of “Klassentreffen” with Thomas Gottschalk and an episode of “Man spricht Deutsch” with Eckart von Hirschhausen have been placed for spring 2014.

Theatrical distribution

The positive development of the German movie market continued in the second quarter. This was due both to blockbusters such as “The Croods”, which was released at the end of March already, and many highly popular new releases in the second quarter, including “Hangover 3”, “Fast & Furious 6”, “Iron Man 3” and “Star Trek Into Darkness”.

Based on movie tickets sold, at 57.5 million in the first half of 2013, the German movie market was up only slightly on the previous year’s period (57.2 million). However, revenues increased significantly as a result of higher ticket prices for 3D films: Income of around EUR 462 million was generated in the first six months of this year, up 6.5 % on the same period in 2012 (around EUR 434 million).

By contrast, the upswing for German own and co-productions, which posted a moviegoer market share of almost 32 % in the first three months of this year, was not sustained. None of the German films released in the second quarter of 2013 attracted a seven-figure audience. The best performer was “Hanni & Nanni 3” with around 800,000 moviegoers.

Even so, at 23.5 %, the market share of German films in the first half-year was well up on the same period of the previous year (18.6 %). To date, the most successful German production of 2013 has been the Til Schweiger comedy “Kokowääh 2” (2.7 million viewers), followed by “Schlussmacher” (2.5 million moviegoers) and the Constantin Film co-production “The Famous Five 2” (1.1 million viewers).

Given the intensely competitive environment, the Constantin Film Group released only one new movie in theaters in the period from April to June 2013. The licensed title “Scary Movie 5”, with a cast including Charlie Sheen and Lindsay Lohan, performed strongly. The fifth part in the cult parody series topped the German movie charts in its opening weekend, and attracted a total audience of just under 800,000. In addition, the family movie “Ostwind”, released at the end of March, continued to post healthy audience figures, also attracting just under 800,000 moviegoers.

With the performance of all its movies released in the first half of 2013, Constantin Film achieved a market share of 6.5 % based on audience and 5.4 % based on revenues. In both categories it therefore ranked seventh on the German movie market behind Warner, Fox, Universal, Sony, Paramount and Concorde.

Home entertainment

According to the market research company GfK, the German home entertainment industry generated total revenues of EUR 690 million from January to May 2013*), up 12.2 % on the same period of the previous year (EUR 615 million). One particularly pleasing aspect is the fact that both the video sell-through market and the video rental market contributed to this increase.

According to GfK, DVDs and Blu-rays generated retail revenues of EUR 537 million from January to May 2013 (same period of 2012: EUR 480 million), an increase of 11.9 %. DVD revenues accounted for EUR 377 million of this – a slight rise of 3.3 % compared with the same period of the previous year (EUR 365 million). Blu-ray discs continued to make progress, with sales proceeds up 39.1 % to EUR 160 million (same period of 2012: EUR 115 million).

The electronic sell-through market performed even better: From January to May 2013, revenues from electronic sell-through rose by around 44 % to EUR 23 million, after totaling EUR 16 million in the same period of the previous year.

Total revenues in the video rental market increased by 9.2 % to EUR 130 million in the first five months of this year (same period of 2012: EUR 119 million). This growth was driven by digital rentals, which grew by 51.7 % to EUR 44 million (same period of 2012: EUR 29 million). Consequently, more than a third of total revenues were generated from video-on-demand or pay-per-view transactions. By contrast, income from rentals of physical data carriers fell by 4.4 % to EUR 86 million (same period of 2012: EUR 90 million), with Blu-ray discs (increase from EUR 18 million to EUR 21 million) failing to make up for the decline in the DVD sector from EUR 72 million to EUR 65 million.

Based on an attractive slate for 2013 and a large number of high-selling secondary market releases, the Highlight Group largely maintained its market position in the German home entertainment market between January and May 2013. In the video sell-through market – in conjunction with our sales partner Paramount Home Entertainment – we achieved a market share of 9 % (January to May 2012: 11 %). On the rental market, our joint market share stood at 11 % (January to May 2012: 16 %).

Our top new release in the second quarter of 2013 was the Constantin Film own production “Resident Evil: Retribution”, of which we sold around 275,000 units in German-speaking countries up to June 30. In addition, the licensed title “Step Up Revolution” was another of our top sellers in the first six months.

**) Data for the first half of 2013 was not available on the editorial closing date.*

License trading/TV exploitation

The media industry has been characterized by the changing patterns of media use for some time now. More and more households have devices with online capability, in the form of TV sets, smartphones or tablets. In this way, end users are increasingly acting as programming directors, and TV broadcasters are responding with a host of program content.

However, choice in free TV is unlikely to grow, partly due to high costs and partly due to decreases in overall audience. At present, ARD and ZDF are even discussing the possibility of merging some of their digital channels. By contrast, the private broadcasters are working to develop further niche stations, e.g. ProSiebenSat.1 with the men’s channel “Maxx”, which is due to go on air in the third quarter.

However, with advertising investment increasingly being channeled towards the Internet, private providers are unlikely to manage with advertising income as their sole source of finance in future. For this reason, the large media groups RTL and ProSiebenSat.1 have set a target of generating 50 % of their income independently of conventional advertising business, with a growing emphasis on pay TV. At the same time, they are closely monitoring the activities of new players such as Apple, Google and Netflix in order to counter them in line with market conditions. In this context, they demand maximum exclusivity in the event of license purchases, for instance.

In the Constantin Film Group's license trading business area, the start of the initial licenses of "Freche Mädchen 2" (ProSiebenSat.1), "Resident Evil: Afterlife" (ProSiebenSat.1), "Wir sind die Nacht" (ProSiebenSat.1), "Animals United" (ProSiebenSat.1) and others had a positive impact on revenues from April to June 2013, along with the initial licenses of "American Pie" (Sky Deutschland) and "Blutzbrüdaz" (Sky Deutschland) in the pay-TV sector.

Report on business performance and the situation in the Sports- and Event-Marketing segment

According to estimates by the market research company Nielsen, the global advertising market grew by 1.9 % to USD 76.6 billion in the first quarter of 2013 as compared to the first three months of 2012. With growth of 11.9 %, the Latin American market posted by far the best performance here, followed by the Asia/Pacific region, which increased by 5.8 %. By contrast, the European advertising market, which is suffering from the economic problems of some countries, recorded a 4.4 % decline, while advertising expenditure in America stagnated.

The TEAM Group's operating activities centered on active support for its commercial partners and UEFA for the finals of the UEFA Europa League and UEFA Champions League in the second quarter of 2013. The UEFA Europa League final, in which SL Benfica played the, up to this time, reigning Champions League winners Chelsea FC, was held in Amsterdam on May 15. Chelsea FC won an exciting match in the last minute. This meant that for a few days, they held the titles of both elite European club football competitions simultaneously.

The first-ever all-German UEFA Champions League final between Borussia Dortmund and FC Bayern München was held on May 25 at London's legendary Wembley Stadium. FC Bayern München just managed to avoid extra time by scoring the decisive goal to win the most coveted trophy in European club football for the fifth time.

The game was watched in more than 200 countries worldwide by an average audience of approximately 150 million viewers. In Germany alone, the live coverage on free TV attracted 21.6 million viewers, representing a market share of 61.9 % of the total audience. In the target demographic of 14-to-49-year-olds, the market share was as high as 62.5 %. These figures mark the highest reach ever achieved by a Champions League final on German TV.

Report on business performance and the situation in the Other Business Activities segment

According to estimates by the German Trade Association of Interactive Entertainment Software (BIU), the German market for online and browser games declined in 2012, following previous strong growth. Revenues from fees and subscriptions for online and browser games fell by more than 32 % to approximately EUR 124 million, with the number of users dropping by around 10 % to approximately 14 million.

By contrast, the market for the purchase of virtual extra content (new characters, additional game levels etc.) remained relatively stable. Revenues here fell by roughly 3 % from around EUR 233 million to around EUR 226 million. In this area, a decline in average spending per paying user was largely offset by a significant increase in the number of buyers from 3.7 million to 4.7 million.

Sponsorship expenditure for live music in Europe rose by more than 10 % to approximately EUR 118 million in 2012. Germany accounted for around EUR 21 million of this total volume, which means that the advertising companies active in this sector invested around 17 % more than in the previous year. The by far biggest donor was the drinks industry (33 %), followed by the automobile industry (19 %) and the telecommunications sector (12 %).

In the second quarter of 2013, Highlight Event AG initially supported the European Broadcasting Union (EBU) with the successful delivery of the Eurovision Song Contest, which was staged from May 14 to 18 in Malmö, Sweden. The grand final was broadcast live to 44 countries, and both the 15,000-plus crowd at the sold-out event hall and the TV audience again experienced a spectacular evening's entertainment.

The sponsorship contracts were implemented smoothly, and the TV broadcasting rights were also sold to China (CCTV) for the first time. Throughout the entire week of the Eurovision Song Contest, around 80,000 fans attended the various events (rehearsals, semifinals and final). According to preliminary estimates by the EBU, the shows (semifinals and final) have been watched on TV by 90 to 100 million people.

The Vienna Philharmonic Orchestra's Summer Night Concert, conducted this year by the renowned conductor Lorin Maazel, was held on May 30 in the park of Schönbrunn Palace in Vienna. The open-air event was broadcast worldwide on TV or radio, and – despite very bad weather – attracted a live audience of around 15,000 enthusiastic people.

Highlight Event AG concluded the marketing of the TV rights to this event with very positive results: For the first time, the TV rights were sold to more than 70 countries (previously 61).

In online/social gaming, Pokermania GmbH continued to pursue the development of mobile hybrid applications for Android, iOS and tablet systems (HD) for its fun poker games in order to benefit from the great potential of mobile users. With these applications, users can keep on playing with their existing account on smartphones or tablets without having to use a computer.

Result of operations, net assets and financial situation of the Highlight Group

Accounting principles

The Highlight Group has applied the accounting standard IAS 19 rev. Employee Benefits since January 1, 2013. The obligation to apply this standard retrospectively leads to restatements of the comparative figures from the previous year in both the balance sheet and the income statement (see notes to the consolidated interim financial statements, note 3). All prior-year figures shown below refer to the restated ones.

Result of Group operations

Consolidated sales of the Highlight Group amounted to CHF 156.4 million in the first half of 2013, in line with expectations. The decline of CHF 7.2 million or 4.4 % as against the same period of the previous year (CHF 163.6 million) results chiefly from the Sports- and Event-Marketing segment.

Capitalized film production costs and other own work capitalized increased by CHF 24.0 million to CHF 49.7 million (previous year's period: CHF 25.7 million), with the result that the Group's total output rose significantly from CHF 189.3 million to CHF 206.1 million. In contrast, other operating income posted a decline of CHF 5.1 million to CHF 9.8 million (previous year's period: CHF 14.9 million).

In comparison to the first six months of the previous year (CHF 188.7 million), consolidated operating expenses increased by CHF 21.2 million or 11.2 % to CHF 209.9 million. This increase was attributable to the cost of materials and licenses, which climbed by CHF 27.7 million to CHF 97.7 million in connection with productions. Personnel expenses decreased by CHF 1.4 million year-on-year to CHF 50.4 million, while other operating expenses were reduced by CHF 4.9 million to CHF 31.5 million. At CHF 30.3 million, amortization, depreciation and impairment remained at roughly the same level as in the first half of 2012 (CHF 30.5 million).

As expected, EBIT for the first half of the year was lower than the previous year's figure (CHF 15.5 million) at CHF 5.9 million.

Earnings from investments in associated companies and joint ventures amounted to an expense of CHF 0.1 million in the reporting period as compared to income of CHF 0.1 million in the first six months of the previous year. The financial result improved by TCHF 3,137 to TCHF –4 (previous year's period: TCHF –3,141), particularly due to currency effects. Financial income rose by CHF 2.3 million to CHF 4.1 million, whereas financial expenses fell by CHF 0.8 million to CHF 4.1 million.

After taking into account tax expenses (income taxes and deferred taxes) of CHF 1.4 million (previous year's period: CHF 1.3 million), the Highlight Group generated a consolidated net profit of CHF 4.4 million in the first half of 2013 (previous year's period: CHF 11.1 million). Of this amount, a profit of CHF 0.2 million (previous year's period: loss of CHF 0.1 million) is attributable to non-controlling interests. The share of earnings attributable to Highlight's shareholders amounts to CHF 4.2 million (previous year's period: CHF 11.2 million). Based on the average number of shares outstanding, this corresponds to earnings per share of CHF 0.09 (previous year's period: CHF 0.25).

Result of segment operations

With external sales of CHF 130.7 million, the Film segment exceeded the previous year's figure (CHF 119.0 million) by CHF 11.7 million. Sales in the first half of 2013 were marked by marketing successes in the theatrical distribution business area ("The Famous Five 2", "Ostwind", "Scary Movie 5") and the home entertainment business area ("Resident Evil: Retribution", "Step Up Revolution") as well as a stable positive development in TV service production business area. Other segment income posted an even higher increase of CHF 19.9 million to CHF 59.5 million. This growth resulted primarily from capitalized film production costs. Segment expenses rose by CHF 30.2 million to CHF 188.6 million due to the higher cost of materials and licenses in connection with productions. Segment earnings improved from CHF 0.2 million in the first half of 2012 to CHF 1.6 million.

At CHF 24.0 million, external sales of the Sports- and Event-Marketing segment were CHF 18.9 million lower than in the same period of the previous year (CHF 42.9 million). This decline was due essentially to changes in the business relationship with UEFA, including handing over match organization to UEFA. Segment expenses were reduced by CHF 8.6 million to CHF 15.2 million (previous year's period: CHF 23.8 million), resulting in segment earnings of CHF 8.8 million. As expected, this was lower than the previous year's figure of CHF 19.6 million.

The Other Business Activities segment generated external sales of CHF 1.6 million (previous year's period: CHF 1.8 million) and other income of CHF 0.5 million (previous year's period: CHF 0.9 million). After deducting expenses of CHF 3.5 million (previous year's period: CHF 4.1 million), the segment posted a loss for the first half of 2013 of CHF 1.4 million (previous year's period: CHF 1.5 million). Owing to the reorientation of this segment towards event and entertainment business over the course of 2012, the above figures can be compared to each other to a limited extent only.

Costs for holding activities increased slightly in the first six months of the current year to CHF 3.1 million (previous year's period: CHF 2.8 million).

Net assets situation

As of June 30, 2013, the Highlight Group posted total assets of CHF 457.9 million. This represents an increase of CHF 36.0 million as against December 31, 2012 (CHF 421.9 million). On the assets side of the balance sheet, the increase resulted essentially from non-current assets, which climbed by CHF 34.9 million to CHF 234.8 million (December 31, 2012: CHF 199.9 million). By contrast, current assets posted only a slight rise of CHF 1.1 million to CHF 223.1 million (December 31, 2012: CHF 222.0 million). Trade accounts receivable and other receivables due from third parties climbed by CHF 18.4 million to CHF 133.8 million, while cash and cash equivalents decreased by CHF 18.2 million to CHF 54.3 million.

The value of film assets amounted to CHF 197.5 million as of the end of the reporting period, up CHF 34.9 million on the figure at the end of 2012 (CHF 162.6 million). This growth is due to the fact that, overall, additions significantly exceeded amortization on films being exploited. Of this total value, CHF 172.7 million (December 31, 2012: CHF 134.7 million) was attributable to in-house productions and CHF 24.8 million (December 31, 2012: CHF 27.9 million) to third-party productions.

On the capital side of the balance sheet, non-current liabilities of CHF 19.6 million were virtually unchanged compared to the end of 2012 (CHF 20.6 million). By contrast, current liabilities rose by CHF 44.6 million to CHF 334.7 million (December 31, 2012: CHF 290.1 million). The largest increases were in current financial liabilities (CHF 44.5 million) and advance payments received (CHF 7.6 million), while income tax liabilities declined by CHF 6.2 million.

At CHF 103.6 million, consolidated equity (including non-controlling interests) was CHF 7.7 million lower than at the end of 2012 (CHF 111.3 million). This decrease is due in particular to the dividend distributions (CHF 9.4 million), the purchase of treasury shares (CHF 2.4 million) and the acquisition of non-controlling interests (CHF 2.6 million). By contrast, the consolidated net profit (CHF 4.4 million) and currency translation differences (CHF 2.2 million) had the effect of increasing equity.

Relative to total assets, which were now considerably higher, this resulted in a sound notional equity ratio of 22.6% as of June 30, 2013 (December 31, 2012: 26.4%). The adjusted equity ratio (after netting cash and cash equivalents against financial liabilities and advance payments received against film assets) was 29.6% (December 31, 2012: 36.6%).

Financial situation

As of June 30, 2013, cash and cash equivalents of the Highlight Group totaled CHF 54.3 million, a reduction of CHF 18.2 million as against the end of 2012 (CHF 72.5 million). At the same time, current financial liabilities rose by CHF 44.5 million to CHF 180.5 million (December 31, 2012: CHF 136.0 million) as a result of the pre-financing required for current film productions. Net debt therefore increased by CHF 62.7 million to CHF 126.2 million in the first half of 2013 (December 31, 2012: CHF 63.5 million).

The Highlight Group generated a net cash inflow of CHF 14.0 million from operating activities – a decrease of CHF 4.6 million as against the same period of the previous year (CHF 18.6 million). This development was primarily due to the CHF 6.7 million decline in net profit for the period.

The cash outflow from investing activities rose by CHF 26.6 million to CHF 61.4 million as against CHF 34.8 million in the same period of the previous year. This increase was due chiefly to considerably higher payments for film assets, which were CHF 28.1 million higher than the previous year's figure (CHF 32.0 million) at CHF 60.1 million. By contrast, payments for intangible assets and property, plant and equipment decreased by a total of CHF 1.8 million to CHF 1.2 million (previous year's period: CHF 3.0 million).

The Highlight Group's financing activities led to a net cash inflow of CHF 28.4 million in the reporting period, slightly higher than the figure for the previous year's period (CHF 26.5 million). This increase was largely due to the net borrowing of current financial liabilities of CHF 42.9 million (previous year's period: CHF 33.5 million). This was partly offset by factors such as the purchase of treasury shares (CHF 2.4 million) and the acquisition of non-controlling interests (CHF 2.6 million).

Based on the level of cash and cash equivalents and credit facilities available, the Highlight Group was able to meet its payment obligations at all times in the period under review.

Personnel report

As of June 30, 2013, the Highlight Group had a total of 842 employees (June 30, 2012: 867). This figure includes employees on non-permanent, project-related contracts.

Events after the balance sheet date

On August 6, 2013, we announced the continuation of the successful cooperation between Highlight Event AG and the European Broadcasting Union. Highlight Event AG's mandate for the Eurovision Song Contest (ESC) was extended until 2018. The mandate includes the conceptual development and sales of the ESC marketing program as well as its implementation and delivery.

Report on opportunities and risks

From the current point of view, the Highlight Group's assessment of opportunities and risks has not changed significantly since the assessment at the end of 2012 (see detailed description in the 2012 annual report). The overall risk situation remains limited and manageable. In addition, no risks have been identified that individually or in combination threaten the existence of the Highlight Group as a going concern based on currently available information.

In addition to the disclosures made in the 2012 annual report, please also note the following risks and opportunities:

The main risk factors in terms of the economic result in the context of the EBU projects (particularly in the area of sponsorship) are the dependency on regional factors as well as the general economic situation in the euro zone. Furthermore, enthusiasm for pan-European telephone voting has waned in recent years. This trend is expected to continue, which could hit total income from the project. The same applies to merchandising, where income is dependent on various local factors such as weather conditions, hall utilization/ticket sales and fans' enthusiasm.

Attracting sponsorship for the new projects, the AvD-Oldtimer-Grand-Prix and Eurovision Young Musicians, is extremely challenging due to the economic situation in many European regions.

In online/social gaming, both the development of mobile hybrid applications and the cooperation with Palado GmbH present good opportunities for Pokermania GmbH to tap into new user groups.

Forecast

Theatrical production/acquisition of rights

In the theatrical production/acquisition of rights business area, Constantin Film AG continues to focus its strategy on maintaining and optimizing the high standards of its national and international own and co-productions as well as on selectively purchasing high-quality licensed titles. In addition, Constantin Film will be concentrating even more on producing English-language titles for the global market in future. In general, efforts will be made to produce and exploit movies of an event nature.

For instance, shooting of the international co-production "The Mortal Instruments: City of Ashes", the second part of the adaptation of Cassandra Clare's internationally successful book series, will start in the second half of 2013. Filming of "Männerhort", "Die Therapie Crasher" and the third part of the hit "Famous Five" series is also scheduled to start in the next few months.

TV service production

In TV service production, a stable advertising market is expected again in 2013, which could have a positive impact on private TV stations' budgets. However, the forecasts for this business area remain cautious, as the effects of current market developments – such as the effects of the household levy on the production activities of public broadcasters, innovations in the product portfolio of private broadcasters and the pay TV expansion on the TV service production market – still remain to be seen. Besides, the Internet, especially the YouTube TV channels, must be closely monitored as potential competition for commercial television.

In this business area, too, the Constantin Film Group will be increasingly turning towards major English-language productions that are geared towards international tastes in terms of casting and subject matter. In addition, the subsidiaries of Constantin Film AG are constantly working to develop innovative TV formats and expand their contacts with the major TV stations.

At an international level, the company intends to gain new co-production partners and produce series and TV films with global appeal through the subsidiary Nadcon Film, which was established in 2012. For the next few months, Constantin Film AG continues to expect an improvement in the order situation in this business area, which could also be positively impacted by the increasingly aggressive purchasing policy of the major online portals.

Theatrical distribution

In theatrical distribution, the movie market in Germany is expected to perform strongly again in the third quarter of 2013 in terms of revenues and audience figures. With “Despicable Me 2”, “The Smurfs 2”, “Pacific Rim (3D)”, “The Wolverine (3D)”, “Percy Jackson: Sea of Monsters”, “Elysium" and many other major movies, the US studios are releasing a host of promising titles this summer. From a German perspective, the Constantin Film titles “The Mortal Instruments: City of Bones”, “Da geht noch was”, “Tarzan (3D)” and “Fack ju Göhte” could make a real impression.

In this business area, Constantin Film AG is continuing to pursue its proven strategy of combining top own and co-productions with promising licensed titles, including those from the DreamWorks output deal, and bringing them to the big screen in periods relevant to the audiences. The distribution slate for movie year 2013 currently consists of 18 films (9 own/co-productions and 9 licensed titles). Two new movies are scheduled for release throughout Germany in the third quarter of 2013: “The Mortal Instruments: City of Bones” (to be released at the end of August) and “Da geht noch was” (in theaters from mid-September).

Home entertainment

On the German home entertainment market, electronic distribution (video-on-demand) continues to make great strides. Constantin Film AG again expects the market share of video-on-demand – measured on the basis of the current market volume – to reach a double-digit percentage in the next few years.

The strategy in home entertainment marketing is focused on an attractive presentation of products in multimedia stores and enhancement of the DVDs/Blu-rays with appealing bonus material. Success in the digital sector, such as a high number of paid video downloads of new Constantin Film releases, is to be built upon further in the future. In home entertainment exploitation, stable revenues are expected in the next few months from titles such as “The Famous Five 2”, “Parker”, “3096 Tage”, “Bullet to the Head” and “Ostwind”.

License trading/TV exploitation

In its license trading/TV exploitation business area, Constantin Film AG will further expand its good, long-standing contacts with the major German TV channels, and is also planning to acquire new partners. As the TV market is growing increasingly fragmented, many new niche broadcasters are attempting to gain market share. The Constantin Film Group is also endeavoring to supply them with relevant content. In license trading, the American Film Market, to be held in November 2013, remains to be seen.

Sports- and Event-Marketing

At the end of the first half of 2013, ZenithOptimedia, the media planning and buying firm reduced their forecasts for global advertising expenditure to 3.5 % from the 3.9 % predicted in the first quarter. The revision was largely attributed to the continuing recession in the euro zone, political deadlock in Italy and the controversial bail-out of Cyprus. The expectation now is that advertising expenditure will fall by 3.9 % across the euro zone in 2013. This decline is down further from the 1.6 % predicted before, but up from the 5.2 % drop seen across the euro zone at the end of 2012.

In their latest "Global Sports Media Consumption Report", the market research institute KantarSport, the international marketer of multimedia sports content on digital platforms PERFORM and TV Sports Market conclude that the trends in sports media consumption will continue in 2013. In most countries, sports fans are spending more time than ever on consuming sports content. To do this, most of them use devices connected to the Internet, but not at the expense of TV broadcasts. Consequently, rights holders have a great opportunity to extend their reach and relevance via digital media. However, this requires an innovative approach as well as suitably relevant and authentic content.

It remains the strategic goal of the TEAM Group to further consolidate its market position as one of the world's leading sports marketing agencies for major international events. The key success factors here are the company's recognized, extensive expertise and its close and long-standing relationships with its customers.

In operational terms, the main focal points are active support for commercial partners in the current season and preparations for the recently commenced marketing process for the new sales cycle (2015/16 to 2017/18) of the UEFA Champions League and the UEFA Europa League.

Other Business Activities

The strategic aim of Highlight Event & Entertainment AG continues to be to further expand its position in event and entertainment business. To this end, existing partnerships are to be expanded while new customers are to be acquired. There are also plans to further intensify the cooperation between Highlight Event & Entertainment AG and Highlight Communications AG.

Highlight Group

Against this backdrop, we reiterate our yearly forecast for consolidated sales, which are likely to total CHF 350 million to CHF 400 million.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of June 30, 2013 of Highlight Communications AG, Pratteln

The information within our interim report is originally published in German. Discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes. If any questions arise related to the accuracy of the information contained in the translation, please refer to the German version of our interim report, which is the official and only binding version.

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2013 (unaudited)

Highlight Communications AG, Pratteln

ASSETS (TCHF)	June 30, 2013	Dec. 31, 2012*
Non-current assets		
In-house productions	172,755	134,687
Third-party productions	24,758	27,946
Film assets	197,513	162,633
Other intangible assets	4,327	4,954
Goodwill	18,000	17,892
Property, plant and equipment	5,353	5,864
Investments in associated companies and joint ventures	249	406
Non-current receivables due from third parties	1,477	1,464
Receivables due from associated companies and joint ventures	4,638	3,294
Other financial assets	251	249
Deferred tax assets	2,979	3,131
	234,787	**199,887**
Current assets		
Inventories	4,578	3,875
Trade accounts receivable and other receivables due from third parties	133,848	115,363
Receivables due from related parties	17	102
Receivables due from associated companies and joint ventures	6,779	3,326
Other financial assets	15,518	17,197
Income tax receivables	3,853	5,484
Cash and cash equivalents	54,328	72,517
Non-current assets held for sale	4,150	4,150
	223,071	**222,014**
Total assets	**457,858**	**421,901**

EQUITY AND LIABILITIES (TCHF)	June 30, 2013	Dec. 31, 2012*
Equity		
Subscribed capital	47,250	47,250
Treasury stock	–1,616	–1,157
Capital reserve	–104,534	–103,614
Other reserves	–25,952	–28,106
Retained earnings	174,118	157,729
Shareholders' interests	4,168	25,944
Equity attributable to shareholders	93,434	98,046
Non-controlling interests	10,131	13,231
	103,565	**111,277**
Non-current liabilities		
Other liabilities	5	5
Pension liabilities	9,311	9,676
Provisions	524	1,434
Deferred tax liabilities	9,801	9,444
	19,641	**20,559**
Current liabilities		
Financial liabilities	180,489	136,034
Advance payments received	53,127	45,534
Trade accounts payable and other liabilities due to third parties	95,610	95,570
Liabilities due to related parties	1,220	250
Liabilities due to associated companies and joint ventures	10	1,344
Provisions	3,459	4,479
Income tax liabilities	737	6,854
	334,652	**290,065**
Total equity and liabilities	**457,858**	**421,901**

** Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 3.*

The notes on page 27 – 36 are an integral part of the consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT
JANUARY 1 TO JUNE 30, 2013 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	1/1 to 6/30 2013	1/1 to 6/30 2012*	4/1 to 6/30 2013	4/1 to 6/30 2012*
Sales	**156,360**	**163,612**	**74,431**	**76,858**
Capitalized film production costs and other own work capitalized	**49,698**	**25,685**	**34,434**	**16,141**
Total output	**206,058**	**189,297**	**108,865**	**92,999**
Other operating income	**9,779**	**14,856**	**4,657**	**6,984**
Costs for licenses, commissions and materials	–18,448	–20,485	–9,150	–10,305
Costs for purchased services	–79,268	–49,516	–46,991	–28,880
Cost of materials and licenses	**–97,716**	**–70,001**	**–56,141**	**–39,185**
Salaries	–44,690	–46,542	–23,905	–25,765
Social security, pension costs	–5,678	–5,213	–2,995	–2,678
Personnel expenses	**–50,368**	**–51,755**	**–26,900**	**–28,443**
Amortization and impairment on film assets	–27,888	–28,512	–9,966	–9,545
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	–2,375	–2,036	–1,133	–1,069
Amortization, depreciation and impairment	**–30,263**	**–30,548**	**–11,099**	**–10,614**
Other operating expenses	**–31,545**	**–36,368**	**–15,017**	**–16,280**
Profit from operations	**5,945**	**15,481**	**4,365**	**5,461**
Earnings from investments in associated companies and joint ventures	**–127**	**129**	**–132**	**65**
Financial income	4,103	1,797	1,837	831
Financial expenses	–4,107	–4,938	–2,577	–2,592
Financial result	**–4**	**–3,141**	**–740**	**–1,761**
Profit before taxes	**5,814**	**12,469**	**3,493**	**3,765**
Current taxes	–1,182	–2,571	–530	694
Deferred taxes	–257	1,244	–785	–951
Taxes	**–1,439**	**–1,327**	**–1,315**	**–257**
Net profit	**4,375**	**11,142**	**2,178**	**3,508**
thereof shareholders' interests	4,168	11,226	2,342	3,615
thereof non-controlling interests	207	–84	–164	–107

(CHF)	1/1 to 6/30 2013	1/1 to 6/30 2012*	4/1 to 6/30 2013	4/1 to 6/30 2012*
Earnings per share				
Earnings per share attributable to shareholders, basic	0.09	0.25	0.05	0.08
Earnings per share attributable to shareholders, diluted	0.09	0.25	0.05	0.08

** Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 3.*

The notes on page 27 – 36 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS JANUARY 1 TO JUNE 30, 2013 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to June 30, 2013	Jan. 1 to June 30, 2012*
Net profit	**4,375**	**11,142**
Currency translation differences	2,205	–977
Items that may be reclassified to the income statement in future	**2,205**	**–977**
Actuarial gains and losses of defined benefit pension plans	766	–1,071
Gains/losses from financial assets at fair value through other comprehensive income/loss	–616	1,815
Items that will not be reclassified to the income statement in future	**150**	**744**
Other comprehensive income/loss, net of tax	**2,355**	**–233**
Total comprehensive income/loss	**6,730**	**10,909**
thereof shareholders' interests	6,437	11,120
thereof non-controlling interests	293	–211

** Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 3.*

The notes on page 27 – 36 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY JANUARY 1 TO JUNE 30, 2013 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Equity Subscribed capital	 Treasury stock
Balance as of January 1, 2012	47,250	–1,157
Retrospective change in the method of accounting on the basis of IAS 19 rev.	–	–
Adjusted balance as of January 1, 2012	47,250	–1,157
Currency translation differences	–	–
Items that may be reclassified to the income statement in future	–	–
Actuarial gains and losses of defined benefit pension plans	–	–
Gains/losses from financial assets at fair value through other comprehensive income/loss	–	–
Items that will not be reclassified to the income statement in future	–	–
Other comprehensive income/loss, net of tax	–	–
Net profit	–	–
Total comprehensive income/loss	–	–
Reclassification of prior year's net profit	–	–
Capital increase	–	–
Purchase of treasury stock	–	–
Sale of treasury stock	–	–
Dividend payments	–	–
Change in non-controlling interests	–	–
Other changes	–	–
Balance as of June 30, 2012	47,250	–1,157
Balance as of January 1, 2013	47,250	–1,157
Retrospective change in the method of accounting on the basis of IAS 19 rev.	–	–
Adjusted balance as of January 1, 2013	47,250	–1,157
Currency translation differences	–	–
Items that may be reclassified to the income statement in future	–	–
Actuarial gains and losses of defined benefit pension plans	–	–
Gains/losses from financial assets at fair value through other comprehensive income/loss	–	–
Items that will not be reclassified to the income statement in future	–	–
Other comprehensive income/loss, net of tax	–	–
Net profit	–	–
Total comprehensive income/loss	–	–
Reclassification of prior year's net profit	–	–
Purchase of treasury stock	–	–459
Sale of treasury stock	–	–
Dividend payments	–	–
Change in non-controlling interests	–	–
Other changes	–	–
Balance as of June 30, 2013	47,250	–1,616

The notes on page 27 – 36 are an integral part of the consolidated interim financial statements.

attributable to the shareholders

	Capital reserve	Other reserves	Retained earnings	Shareholders' interests	Total	Non-controlling interests	Total equity
	–104,602	**–27,093**	**136,738**	**31,610**	**82,746**	**13,268**	**96,014**
	–	–	–3,740	–	–3,740	–229	–3,969
	–104,602	**–27,093**	**132,998**	**31,610**	**79,006**	**13,039**	**92,045**
	–	–942	–	–	–942	–35	–977
	–	**–942**	–	–	**–942**	**–35**	**–977**
	–	–	–979	–	–979	–92	–1,071
	–	–	1,815	–	1,815	–	1,815
	–	–	**836**	–	**836**	**–92**	**744**
	–	**–942**	**836**	–	**–106**	**–127**	**–233**
	–	–	–	11,226	11,226	–84	11,142
	–	**–942**	**836**	**11,226**	**11,120**	**–211**	**10,909**
	–	–	31,610	–31,610	–	–	–
	–223	–	–	–	–223	2,953	2,730
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	– 7,836	–	–7,836	–1,917	–9,753
	2,131	–	–	–	2,131	–2,131	–
	–	–	–	–	–	–	–
	–102,694	**–28,035**	**157,608**	**11,226**	**84,198**	**11,733**	**95,931**
	–103,614	**–28,106**	**162,601**	**25,530**	**102,504**	**13,538**	**116,042**
	–	–	–4,872	414	–4,458	–307	–4,765
	–103,614	**–28,106**	**157,729**	**25,944**	**98,046**	**13,231**	**111,277**
	–	2,154	–	–	2,154	51	2,205
	–	**2,154**	–	–	**2,154**	**51**	**2,205**
	–	–	731	–	731	35	766
	–	–	–616	–	–616	–	–616
	–	–	**115**	–	**115**	**35**	**150**
	–	**2,154**	**115**	–	**2,269**	**86**	**2,355**
	–	–	–	4,168	4,168	207	4,375
	–	**2,154**	**115**	**4,168**	**6,437**	**293**	**6,730**
	–	–	25,944	–25,944	–	–	–
	–	–	–1,912	–	–2,371	–	–2,371
	–	–	–	–	–	–	–
	–	–	–7,758	–	–7,758	–1,666	–9,424
	–920	–	–	–	–920	–1,727	–2,647
	–	–	–	–	–	–	–
	–104,534	**–25,952**	**174,118**	**4,168**	**93,434**	**10,131**	**103,565**

CONSOLIDATED STATEMENT OF CASH FLOWS
JANUARY 1 TO JUNE 30, 2013 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to June 30, 2013	Jan. 1 to June 30, 2012*
Net profit	4,375	11,142
Deferred taxes	257	–1,244
Current taxes	1,182	2,571
Financial result (without currency result)	1,630	1,031
Earnings from investments in associated companies and joint ventures	127	–129
Amortization, depreciation and impairment on non-current assets	30,263	30,548
Gain (–)/loss (+) from disposal of non-current assets	-	–64
Other non-cash items	253	–1,556
Increase (–)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities	–22,148	–8,728
Decrease (–)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities	4,696	–8,228
Dividends received from associated companies and joint ventures	226	-
Interest paid	–1,583	–1,756
Interest received	336	301
Income taxes paid	–9,198	–5,766
Income taxes received	3,538	445
Cash flow from operating activities	**13,954**	**18,567**
Change in cash and cash equivalents due to acquisitions of companies/shares in companies, net	–	–
Payments for intangible assets	–427	–962
Payments for film assets	–60,093	–32,018
Payments for property, plant and equipment	–730	–1,994
Payments for financial assets	–188	–22
Proceeds from disposals of intangible assets and film assets	–	–
Proceeds from disposals of property, plant and equipment	23	234
Proceeds from disposals of financial assets	–	–
Cash flow for investing activities	**–61,415**	**–34,762**
Proceeds from capital increases and the issue of equity instruments	–	2,730
Payments for purchase of treasury stock	–2,371	–
Payments for purchase of non-controlling interests	–2,647	–
Repayment of current financial liabilities	–24,553	–62,000
Proceeds from receipt of current financial liabilities	67,423	95,516
Dividend payments	–9,424	–9,753
Cash flow from financing activities	**28,428**	**26,493**
Cash flow for/from the reporting period	**–19,033**	**10,298**
Cash and cash equivalents at the beginning of the reporting period	72,517	140,711
Change in cash and cash equivalents due to exchange rate movements	844	795
Cash and cash equivalents at the end of the reporting period	54,328	151,804
Change in cash and cash equivalents	**–19,033**	**10,298**

** Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 3.*

The notes on page 27 – 36 are an integral part of the consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2013

Highlight Communications AG, Pratteln

1. General information about the Group

The Group parent company, Highlight Communications AG, has its registered office in Netzibodenstrasse 23b, Pratteln, Switzerland.

Highlight Communications AG's Board of Directors authorized publishing of the accompanying unaudited, condensed consolidated interim financial statements on August 13, 2013.

2. Accounting and valuation principles

The accompanying unaudited, condensed consolidated interim financial statements for the period from January 1, 2013 to June 30, 2013 have been prepared according to the International Accounting Standard on Interim Financial Reporting (IAS 34).

The condensed consolidated interim financial statements do not include all explanations and disclosures required for the financial statements for the full fiscal year and should be read in conjunction with the consolidated financial statements of the company as of December 31, 2012.

The accounting and valuation principles used in the consolidated financial statements as of December 31, 2012 remained consistent with those applied in the accompanying condensed consolidated interim financial statements (see annual report 2012, notes to the consolidated financial statements, note 4) except for the first-time adoption of new or revised standards and interpretations explained below.

The consolidated interim financial statements are presented in Swiss francs, which represent the functional and reporting currency of the Group parent company. In general, the amounts are stated in thousands of Swiss francs (TCHF), except where otherwise indicated.

The preparation of the condensed consolidated interim financial statements requires management to use estimates and assumptions that affect the classification and measurement of reported income, expenses, assets, liabilities, contingent liabilities and contingent assets as of the balance sheet date. These estimates and assumptions represent management's best estimate based on historical experience and other factors, including estimates about future events. The estimates and assumptions are continually reviewed. Changes in accounting estimates are necessary if changes occur in the circumstances on which the estimate was based or as a result of new information or additional findings. Such changes are recognized in the period of the change. For additional information, refer to the annual report 2012, notes to the consolidated financial statements, note 9.

3. Changes in accounting principles

The Group has applied the accounting standards IFRS 13 Fair Value Measurement, IFRS 7 Financial Instruments: Disclosures (amendment), IAS 1 Presentation of Financial Statements (amendment) and IAS 19 Employee Benefits (revised) since the start of fiscal year 2013.

IFRS 13 Fair Value Measurement

The objective of IFRS 13 is to standardize the calculation of fair value by prescribing a uniform definition and a transparent measurement hierarchy. Fair value is defined in IFRS 13 as the exit price. As far as possible, observable market parameters should be used to calculate fair value. For non-financial assets, the fair value is calculated on the basis of the highest and best use of the asset from the perspective of the market participants. In measuring financial and non-financial liabilities and an entity's own equity instruments, it is assumed that they are transferred to another market participant (new debtor). An exit scenario is assumed, with the risk of non-fulfillment included in the measurement. For financial assets and financial liabilities with offsetting positions in market risks or counterparty risks, the fair value can be measured on the basis of the net values if the control quantity is the net basis. IFRS 13 is to be applied prospectively.

The Group manages its current foreign currency forwards in hedge relationships on the basis of framework agreements. In addition, the counterparty default risk and the entity's own default risk are also taken into account when measuring derivative financial instruments. The effects on the interim financial statements of applying IFRS 13 are not material, but they entail additional disclosures in the notes to the consolidated interim financial statements (see note 5).

IFRS 7 Financial Instruments: Disclosures (amendment)

When offsetting financial assets and financial liabilities, gross and net amounts from the offsetting in the accounts and other existing offsetting rights that do not meet the criteria for offsetting in the accounts must be shown in tabular format. The additions are to be applied retrospectively. This regulation does not apply in condensed interim financial statements unless important events lead to a disclosure requirement. No corresponding disclosures were made in the condensed consolidated interim financial statements.

IAS 1 Presentation of Financial Statements (amendment)

Under the IAS 1 amendment, other comprehensive income is divided into two categories – items that may be reclassified to the income statement in future and those that will not be – depending on whether or not the issue at hand will be posted in the consolidated income statement in future. This amendment – including adjustment of prior-year figures – only affects the presentation of other comprehensive income (OCI). It does not have any impact on the net assets, financial position and results of operations of the Highlight Group.

IAS 19 Employee Benefits (revised)

The Group has applied IAS 19 Employee Benefits (revised 2011, IAS 19 rev.) since January 1, 2013. The standard is to be applied retrospectively. The main changes for the Highlight Group in accounting for defined benefit plans concern the immediate recognition of actuarial gains and losses in other comprehensive income. Owing to retrospective application, all unrecognized, cumulative actuarial gains and losses by January 1, 2012 are transferred to retained earnings/loss carried forward in the opening balance sheet as of January 1, 2012. Furthermore, the discount rate for pension obligations is used to calculate the net interest expense (basis: net liability). As a result, the expected return on plan assets is assumed to be the discount rate on which the measurement of pension obligations is based. The reporting of current service cost and net interest expense in operating earnings can be retained. The following tables show the effects of implementing the amendments. With regard to the consolidated statement of cash flows, the retrospective adjustment led only to movements within the cash flow from operating activities.

Consolidated balance sheet

(TCHF)	before adjustment	adjustment	Dec. 31, 2012 after adjustment	before adjustment	adjustment	Jan. 1, 2012 after adjustment
Assets						
Deferred tax assets	2,335	796	3,131	4,621	610	5,231
Equity and liabilities						
Retained earnings	162,601	–4,872	157,729	136,738	–3,740	132,998
Shareholders' interests	25,530	414	25,944	31,610	–	31,610
Equity attributable to shareholders	102,504	–4,458	98,046	82,746	–3,740	79,006
Non-controlling interests	13,538	–307	13,231	13,268	–229	13,039
Pension liabilities	4,115	5,561	9,676	4,275	4,579	8,854

Consolidated income statement

(TCHF)	before adjustment	adjustment	Jan. 1 to June 30, 2012 after adjustment	before adjustment	adjustment	April 1 to June 30, 2012 after adjustment
Social security, pension costs	–5,095	–118	–5,213	–2,646	–32	–2,678
Deferred taxes	1,231	13	1,244	–954	3	–951
Net profit	**11,247**	**–105**	**11,142**	**3,537**	**–29**	**3,508**
thereof shareholders' interests	11,320	–94	11,226	3,634	–19	3,615
thereof non-controlling interests	–73	–11	–84	–97	–10	–107
Earnings per share attributable to shareholders, basic (CHF)	0,25	0,00	0,25	0,08	0,00	0,08
Earnings per share attributable to shareholders, diluted (CHF)	0,25	0,00	0,25	0,08	0,00	0,08

Consolidated statement of comprehensive income/loss

(TCHF)	before adjustment	adjustment	Jan. 1 to June 30, 2012 after adjustment	before adjustment	adjustment	April 1 to June 30, 2012 after adjustment
Net profit	**11,247**	**–105**	**11,142**	**3,537**	**–29**	**3,508**
Actuarial gains and losses of defined benefit pension plans	–	–1,071	–1,071	–	–534	–534
Items that will not be reclassified to the income statement in future	**1,815**	**–1,071**	**744**	**–2,183**	**–534**	**–2,717**
Total comprehensive income/loss	**12,085**	**–1,176**	**10,909**	**1,708**	**–563**	**1,145**
thereof shareholders' interests	12,193	–1,073	11,120	1,816	–508	1,308
thereof non-controlling interests	–108	–103	–211	–108	–55	–163

The mandatory application of the following accounting standards and interpretations from January 1, 2013 did not result in any material changes in the consolidated interim financial statements:

IFRS 1 First-time Adoption of IFRS: Government Loans (amendment), IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, including the amendments to the transition regulations for IFRS 10 to 12 published in June 2012, amendments to IFRS (2009 – 2011 cycle), IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, IAS 27 Separate Financial Statements (amendment) and IAS 28 Investments in Associates and Joint Ventures (amendment).

The Highlight Group voluntarily waived the earlier adoption of the new or revised standards and interpretations, whose application is not yet mandatory for the 2013 fiscal year. For additional information, refer to the annual report 2012, notes to the consolidated financial statements, note 2.

4. Changes in scope of consolidation

Between April 8 and June 12, 2013, Highlight Communications AG gradually increased its shares in Highlight Event & Entertainment AG, which was already fully consolidated, from 59.891 % to 68.634 %. The purchase price for the new shares was TCHF 2,647.

On May 24, 2013, Rainbow Home Entertainment AG, Pratteln, acquired additional shares in the associated company Kuuluu Interactive Entertainment AG, Pratteln, at a purchase price of TCHF 188. The share held by Rainbow Home Entertainment AG now amounts to 41.5 %.

5. Financial risk management

The Group is exposed to various financial risks arising from operating business activities and financing activities. Financial risks of relevance to the Group arise from changes in foreign exchange rates, from market risks for financial assets, changes in interest rates, liquidity as well as creditworthiness and the solvency of the Group's business partners. For additional information, refer to the annual report 2012, notes to the consolidated financial statements, note 7.

Fair value

Financial assets and liabilities measured at fair value are allocated to a three-level fair value hierarchy:

- Prices (unadjusted) quoted on active markets for identical assets or liabilities (level 1)
- Input data that can be observed either directly (as prices) or indirectly (derived from prices) for the asset or liability and that do not constitute quoted prices under level 1 (level 2)
- Information not based on observable market data (non-observable input data) (level 3)

The table below shows the allocation of financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

June 30, 2013 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/without category	–	1,155	–	1,155
Financial assets at fair value through profit or loss	FVPL	251	–	2,482	2,733
Financial assets (equity instruments)	FVOCI	13,036	–	–	13,036
Financial liabilities measured at fair value					
Derivative financial instruments	FLPL/without category	–	634	–	634

December 31, 2012 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/without category	–	1,690	–	1,690
Other assets (underlying transactions in hedging relationships in accordance with IAS 39)	without category	–	250	–	250
Financial assets at fair value through profit or loss	FVPL	249	–	2,534	2,783
Financial assets (equity instruments)	FVOCI	13,652	–	–	13,652
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships in accordance with IAS 39	without category	–	231	–	231
Derivative financial instruments	FLPL/without category	–	413	–	413
Other liabilities (underlying transactions in hedging relationships in accordance with IAS 39)	without category	–	1,187	–	1,187

Disclosures on level 3 financial instruments:

Designation of the financial instrument	Preference shares
Fair value as of January 1, 2013	2,534
Currency translation differences through equity	–52
Acquisition	–
Sale	–
Fair value as of June 30, 2013	**2,482**

The financial assets measured at fair value through profit or loss and included in level 1 are measured using stock prices. The derivative financial instruments in level 2 are measured at current market rates, taking into account counterparty default risks. A discounted cash flow method was used to determine the fair value of level 2 financial instruments. The change in the fair value of the financial assets shown in level 3 is due to currency translation effects in the amount of TCHF 52.

There were no reclassifications between the individual levels of the fair value hierarchy. Compared with December 31, 2012, there were no material changes in the relations between carrying amount and fair value of financial assets and liabilities.

6. Explanatory notes to selected items of the balance sheet and the income statement

Total assets amounted to TCHF 457,858 as of June 30, 2013 after TCHF 421,901 as of December 31, 2012. While non-current assets increased by TCHF 34,900, particularly due to a rise in in-house productions, current assets rose by a total of TCHF 1,057 as of June 30, 2013. This increase resulted primarily from a rise in trade accounts receivable and other receivables from TCHF 115,363 to TCHF 133,848. This was partly offset by cash and cash equivalents, which declined by TCHF 18,189. On the liabilities side, non-current liabilities decreased by TCHF 918 and current liabilities rose by TCHF 44,587. In addition, equity declined by TCHF 7,712 to TCHF 103,565.

Film assets

As of June 30, 2013, film assets increased by TCHF 34,880 compared to December 31, 2012. In-house productions increased by TCHF 38,068, while third-party productions declined by a total of TCHF 3,188. This decrease was due mainly to higher amortization and impairment compared to investments in film assets.

Current assets

Compared with December 31, 2012, current receivables showed a date-related rise of TCHF 21,853. This was due to the TCHF 9,918 decrease in trade accounts receivable, the TCHF 28,403 increase in other receivables and the TCHF 3,453 increase in receivables due from associated companies and joint ventures. In contrast, receivables due from related parties declined by a total of TCHF 85.

Other current financial assets fell by TCHF 1,679 to TCHF 15,518, primarily due to the decrease in the value of the shares held in Constantin Medien AG, which is shown in the statement of other comprehensive income/loss, and the sale of other financial assets.

Cash and cash equivalents decreased from TCHF 72,517 to TCHF 54,328 as of June 30, 2013. Financing activities resulted in a cash inflow of TCHF 28,428, due mainly to borrowing of financial liabilities. The Group's investing activities used cash of TCHF 61,415, which was due essentially to payments for film assets. Operating activities had a positive cash flow of TCHF 13,954.

Equity

As of June 30, 2013, the balance of directly and indirectly held non-voting treasury shares amounted to 1,615,650 Highlight Communications AG shares (December 31, 2012: 1,156,567). A total of 459,083 treasury shares were acquired in the reporting period at a purchase price of TCHF 2,371.

Equity fell by TCHF 7,712 from TCHF 111,277 to TCHF 103,565 as of June 30, 2013. One of the reasons for this decrease was the distribution of dividends totaling TCHF 9,424, as well as the TCHF 616 decrease in the value of the shares in Constantin Medien recognized in retained earnings. The increase in shares in Highlight Event & Entertainment AG also led to a TCHF 920 decrease in capital reserves and a TCHF 1,727 decrease in non-controlling interests. The increase in other reserves of TCHF 2,154 results from the translation of the equity of companies that do not use the Swiss franc as their functional currency. The net profit for the period of TCHF 4,375 contributed to an additional positive effect.

Liabilities

With a decline of TCHF 918, non-current liabilities remained virtually unchanged compared with the end of 2012, while current liabilities increased by a total of TCHF 44,587. Financial liabilities climbed by TCHF 44,455 to TCHF 180,489. At the same time, trade accounts payable increased by TCHF 2,884, while other liabilities fell by TCHF 2,844.

Sales and other income

Sales in the first half of 2013 amounted to TCHF 156,360, after TCHF 163,612 in the same period of 2012. Sales in the Sports- and Event-Marketing segment declined by TCHF 18,846 whereas the Film segment's sales rose by TCHF 11,790. Capitalized film production costs and other own work capitalized increased by TCHF 24,013 compared to the previous year's period. This growth is largely attributable to the Film segment and reflects the higher production volume as compared to the first half of 2012.

Operating expenses

Cost of materials and licenses climbed by TCHF 27,715 year-on-year. The increase was chiefly a result of higher production volumes in the Film segment.

Personnel expenses amounted to TCHF 50,368 in the reporting period and were thus slightly below the previous year's level.

Amortization, depreciation and impairment on film assets as well as intangible assets and property, plant and equipment totaling TCHF 30,263 (previous year's period: TCHF 30,548) comprise amortization and depreciation of TCHF 27,931 (previous year's period: TCHF 27,512) and impairment of TCHF 2,332 (previous year's period: TCHF 3,036), which relates in full to film assets.

Unrecognized pro rata loss of companies accounted for using the equity method

The unrecognized pro rata loss of companies accounted for using the equity method was TCHF 825 in the period under review (previous year's period: TCHF 505). The cumulative unrecognized pro rata loss was TCHF 1,910 (December 31, 2012: TCHF 1,085).

Financial result

The financial result of the first half of 2013 increased by a total of TCHF 3,137 compared to the previous year's period, mainly as a result of currency effects. In addition, the equity swap transaction was reversed early in the second quarter. The realized gain from the sale of the financial instrument held at fair value amounted to TCHF 385 (previous year's period: remeasurement gain of TCHF 175).

7. Dividend

Proposed dividends are not recognized until the proposed appropriation of available earnings is approved by the Annual General Meeting. For fiscal year 2012, the Board of Directors proposed to the Annual General Meeting that took place on May 31, 2013 a dividend distribution of CHF 0.17 per share from legal reserves from capital contributions. The dividend was approved by the Annual General Meeting and distributed from June 10, 2013.

8. Segment reporting

The following segment information is based on an approach commonly known as the management approach.

The management of the company has been jointly identified as the chief operating decision maker. It continues to make decisions on the allocation of resources to the segments and rates their success on the basis of the figures for sales and segment result. The Group's management does not rate the segments on the basis of their assets and liabilities.

Based on the internal management reporting system and the underlying organizational structure of internal reporting, the Group is classified unchanged into the three operative segments Film, Sports- and Event-Marketing and Other Business Activities. The administrative functions of the Highlight Communications AG holding company are reported under Other. The elimination of inter-segment relations is reported in the reconciliation column.

The segment result is defined as earnings before earnings from investments in associated companies and joint ventures, before financial result and before taxes.

Sales and service transactions between business segments are generally rendered at prices that would have been agreed with third parties.

Segment information January 1 to June 30, 2013

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Recon-ciliation	Group
External sales	130,745	24,005	1,610	–	–	156,360
Other segment income	59,453	45	492	–	-513	59,477
Segment expenses	-188,578	-15,248	-3,512	-3,067	513	-209,892
thereof depreciation, amortization	*-26,704*	*-516*	*-711*	–	–	*-27,931*
thereof impairment	*-2,332*	–	–	–	–	*-2,332*
Segment result	**1,620**	**8,802**	**-1,410**	**-3,067**	–	**5,945**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						-127
Financial income						4,103
Financial expenses						-4,107
Profit before taxes						**5,814**

Segment information January 1 to June 30, 2012*

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Recon-ciliation	Group
External sales	118,955	42,851	1,806	–	–	163,612
Other segment income	39,624	557	857	–	-497	40,541
Segment expenses	-158,428	-23,798	-4,121	-2,822	497	-188,672
thereof depreciation, amortization	*-26,473*	*-473*	*-566*	–	–	*-27,512*
thereof impairment	*-3,036*	–	–	–	–	*-3,036*
Segment result	**151**	**19,610**	**-1,458**	**-2,822**	–	**15,481**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						129
Financial income						1,797
Financial expenses						-4,938
Profit before taxes						**12,469**

** Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 3.*

9. Financial commitments, contingent liabilities and other financial obligations

Compared to the consolidated financial statements as of December 31, 2012, financial commitments, contingent liabilities and other financial obligations increased by TCHF 45,981 to TCHF 93,325 as of June 30, 2013.

10. Related party disclosures

As part of its normal business activities, the company maintains relations with associated companies, joint ventures, the major shareholder and its subsidiaries as well as companies controlled by members of the Board of Directors.

The income generated with Constantin Medien AG in the reporting period amounted to TCHF 2 (previous year's period: TCHF 4). The expenses incurred in the first half of 2013 of TCHF 20 (previous year's period: TCHF 23) essentially relate to the allocation of Group-wide functions such as the Berlin offices of the Constantin Medien Group and other internal allocations. As of June 30, 2013, there were neither receivables (December 31, 2012: TCHF 62) nor liabilities (December 31, 2012: TCHF 138).

In the reporting period, revenue of TCHF 89 (previous year's period: TCHF 268) was generated with SPORT1 Gaming I GmbH and SPORT1 Gaming II GmbH, both indirect, wholly-owned subsidiaries of Constantin Medien AG. There were receivables totaling TCHF 17 as of June 30, 2013 (December 31, 2012: TCHF 35).

In the reporting period, other income of TCHF 50 (previous year's period: TCHF 0) was generated with SPORT1 GmbH, an indirect, wholly-owned subsidiary of Constantin Medien AG. The liabilities amounted to TCHF 984 as of June 30, 2013 (December 31, 2012: TCHF 2). As in the previous year, there were no receivables as of June 30, 2013.

Expenses incurred with Plazamedia GmbH TV- & Film-Produktion, an indirect, wholly-owned subsidiary of Constantin Medien AG, amounted to TCHF 152 in the first six months of 2013 (previous year's period: TCHF 236) in connection with production of TV series. Liabilities amounted to TCHF 30 as of June 30, 2013 (December 31, 2012: TCHF 41).

In the reporting period, no expenses were incurred (previous year's period: TCHF 7) and no income was generated (previous year's period: TCHF 0) with Plazamedia Swiss AG, an indirect, wholly-owned subsidiary of Constantin Medien AG. In addition, there were neither receivables nor liabilities as of June 30, 2013 (December 31, 2012: receivables of TCHF 5).

The Highlight Group's sales and other income totaling TCHF 5,570 in the reporting period (previous year's period: TCHF 5,276) realized with PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH related essentially to the service production "Dahoam is Dahoam". Revenues from recharges were offset by expenses of TCHF 5,144 (previous year's period: TCHF 4,870). There were also miscellaneous expenses totaling TCHF 33 (previous year's period: TCHF 0). As of June 30, 2013, there were receivables of TCHF 2,605 (December 31, 2012: TCHF 0) and liabilities of TCHF 0 (December 31, 2012: TCHF 1,002).

Income of TCHF 38 (previous year's period: TCHF 0) and expenses of TCHF 322 (previous year's period: TCHF 0) were generated with Mister Smith Entertainment Ltd. in the reporting period. As of June 30, there were receivables of TCHF 2,211 (December 31, 2012: TCHF 1,399). There were no liabilities as of June 30, 2013 (December 31, 2012: TCHF 342).

Expenses of TCHF 47 were incurred with NEF-Production S.A.S. in the reporting period (previous year's period: TCHF 136). The outstanding receivables of TCHF 1,962 (December 31, 2012: TCHF 1,927) arose in connection with the co-production "The Three Musketeers".

Total sales of TCHF 2 were generated with Kuuluu Interactive Entertainment AG in the reporting period (previous year's period: TCHF 247). As of June 30, 2013, there were current receivables of TCHF 1 (December 31, 2012: TCHF 0) and non-current receivables of TCHF 4,638 (December 31, 2012: TCHF 3,294). Current liabilities amounted to TCHF 10 (December 31, 2012: TCHF 0). There were no additional impairment losses on non-current receivables in the reporting period (December 31, 2012: TCHF 1,300).

Related persons include the members of the Board of Directors and the members of Group management as well as their relatives.

Highlight Communications AG did not perform significant services for companies controlled by related persons in the reporting period or in the previous year's period.

There was a consulting agreement in place between the Highlight Group and Fred Kogel GmbH during the reporting period, which resulted in expenses of TCHF 184 in the first half of 2013 (previous year's period: TCHF 181). In the second quarter of 2013, this agreement covering license trading, TV service production and film distribution was extended by one more year until December 31, 2014. The associated liabilities amounted to TCHF 31 as of June 30, 2013 (December 31, 2012: TCHF 28).

All transactions with related companies and persons are carried out at arm's length conditions.

11. Events after the balance sheet date

On August 6, 2013, Highlight Event & Entertainment AG announced the continuation of the successful cooperation between Highlight Event AG and the European Broadcasting Union (EBU). Highlight Event AG's mandate for the Eurovision Song Contest (ESC) was extended until 2018. The mandate includes the conceptual development and sales of the ESC marketing program as well as its implementation and delivery.

In the context of the current stock buyback program, a further 1,100,000 treasury shares were acquired in July 2013. The purchase price was TCHF 5,526.

Triumph in Malmö:
The Danish singer
Emmelie de Forest won the 2013
Eurovision Song Contest
by a significant points margin.

Events 2013

Cinema

Locarno Film Festival	August 7 – 17
Venice Film Festival	August 28 – September 7
Toronto Film Festival	September 5 – 15

Football

UEFA Super Cup	August 30

Investor Relations

Interim report	November
German Equity Forum	November 11 – 13

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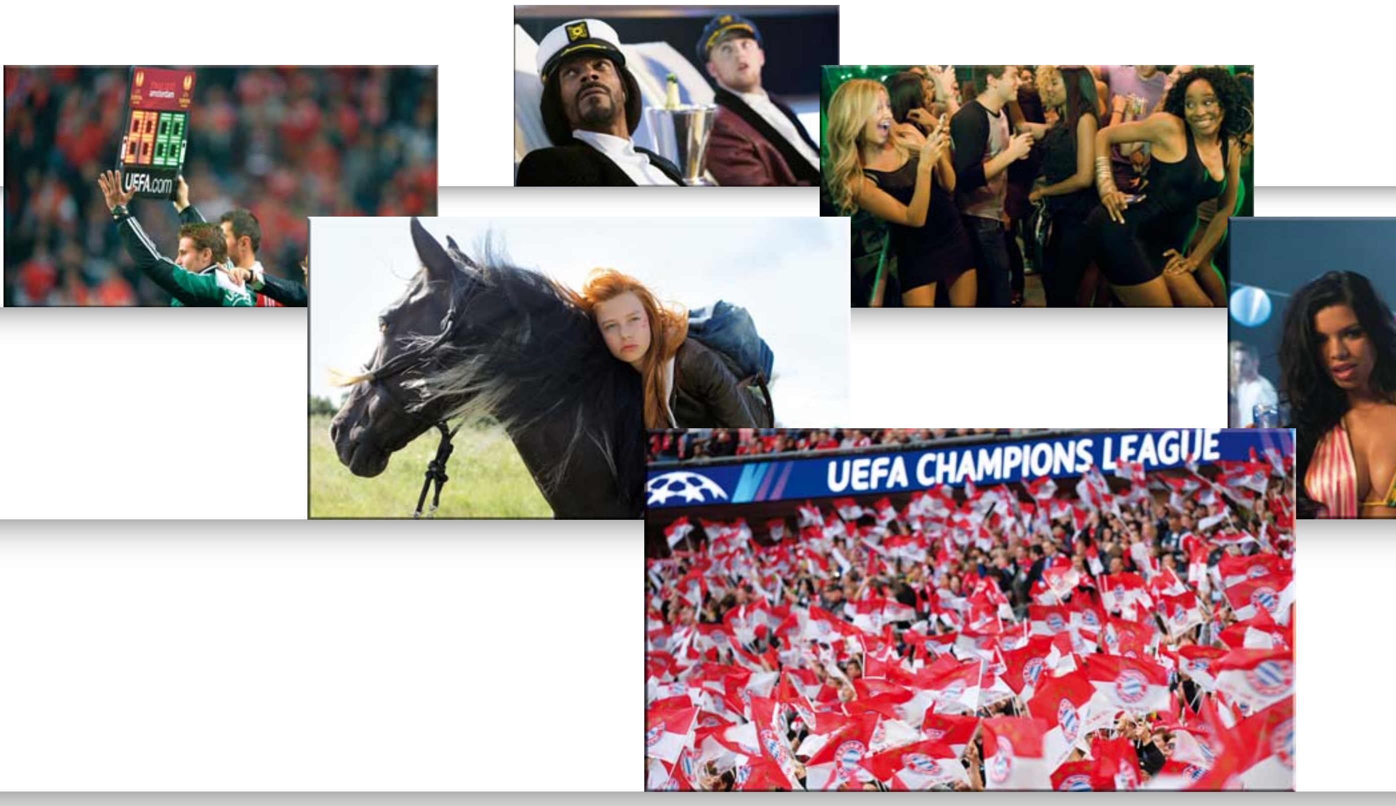

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