Highlight

Highlight Communications AG

Interim Report
as of September 30, 2013

Fantasy spectacle in Berlin:
Crowds of delighted fans cheered
Lily Collins and Jamie Campbell Bower
at the European premiere of
“The Mortal Instruments: City of Bones”.

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

Constantin Film

RAINBOW HOME ENTERTAINMENT

TEAM MARKETING

HIGHLIGHT EVENT & ENTERTAINMENT

CONTENTS

PREFACE

Dear shareholders and other interested parties,

The encouraging performance of the movie theater market in Germany that shaped the first half of 2013 sadly did not continue in the third quarter. This development is due primarily to the weak performance of several major US productions, which were seen by far fewer moviegoers between July and September than anticipated. Over the first nine months, the number of tickets sold was therefore down 5.6 % on the figure for the previous year, while industry revenues slipped by 2.1 %.

In the first nine months of the current year, the Constantin Film Group released a total of ten movies in German theaters, thereby achieving a solid market share of 6.1 % by audience figures and 5.2 % by revenues. The best performance was recorded by the two co-productions “The Famous Five 2” and “Ostwind”, seen by 1.09 million and 0.82 million people respectively, followed by the licensed title “Scary Movie 5”, which sold 0.79 million tickets. The surprise hit of the third quarter was the comedy thriller “Dampfnudelblues”, which was shown mainly in Bavarian movie theaters from the start of August and was still seen by 0.50 million people.

The rising trend on the German home entertainment market continued. Industry revenues were up 8.5 % on the figure for the same period of the previous year, with high double-digit growth rates in digital exploitation in particular (electronic sell-through, video-on-demand and pay-per-view). We largely maintained our market position in this environment. Our highest selling new release over the first nine months was the Constantin Film own production “Resident Evil: Retribution” with 275,000 units sold in German-speaking regions to date. Highlights in the third quarter included the licensed movies “Parker” and “Bullet to the Head” as well as the Natascha Kampusch film adaptation “3096 Tage”.

Overall, external sales in the Film segment were down 10.3 % year-on-year at CHF 222.7 million (CHF 248.2 million). However, it should be noted that the figure for the previous year was characterized by theatrical hits such as “The Famous Five”, “Türkisch für Anfänger” and “Step Up Revolution”, each of which drew audiences of more than a million people, a feat only matched by “The Famous Five 2” so far this year. Segment expenses rose by 3.4 % to CHF 310.2 million, primarily as a result of a significant rise in the cost of materials and licenses in connection with productions. As a result, segment earnings were also below the previous year’s level at CHF 0.1 million (CHF 9.5 million).

After the international release of “The Mortal Instruments: City of Bones” failed to meet expectations, depending on audience numbers, significant earnings contributions are anticipated in the Film segment from the German comedy “Fack ju Göhte” by Bora Dagtekin, which came out on November 7, and the Fox production “Walking with Dinosaurs 3D”, which will hit movie screens in Germany on December 19.

In the Sports- and Event-Marketing segment, the marketing process for the commercial rights of the UEFA Champions League and the UEFA Europa League for the 2015/16 to 2017/18 seasons commenced in the third quarter of 2013. The TEAM Group has conducted its first specific contract negotiations for sponsorship rights. The first deals have already been concluded for the TV rights to both competitions in the Middle East and Northern Africa regions. It is expected that further deals will follow until the end of the year.

The sales development of this segment is being essentially characterized by changes in the business relationship with UEFA. External sales of CHF 36.5 million were generated in the first nine months of this year (previous year's period: CHF 57.1 million). The decline in sales was partially offset by targeted savings in expenses of CHF 9.5 million, resulting in segment earnings of CHF 13.7 million, though this figure was lower than the previous year's as expected.

The activities of Highlight Event AG focused in particular on the marketing of and organizational preparations for the 2014 New Year's Day Concert of the Vienna Philharmonic Orchestra. So far, deals have been made with more than 70 TV stations to broadcast this event. It is assumed that this number will increase to more than 80 TV networks by the end of the year. As part of the cooperation with the European Broadcasting Union, work began in the reporting period to sell the sponsorship rights to the Eurovision Song Contest, set to be held in Copenhagen in the coming year.

The Other Business Activities segment generated external sales of CHF 2.8 million (previous year's period: CHF 7.3 million). Parallel to this, expenses were reduced from CHF 9.4 million to CHF 5.8 million. This resulted in a segment loss of CHF 2.1 million (previous year's period: CHF 1.0 million).

At Group level, these developments were reflected in a sales decline from CHF 312.7 million to CHF 262.0 million. This drop was partially offset by capitalized film production costs and other own work capitalized which – as a result of the consistently high production volume – climbed from CHF 44.5 million to CHF 73.9 million.

Consolidated operating expenses decreased slightly from CHF 345.0 million to CHF 342.6 million, leading to EBIT that was down year-on-year by September at CHF 7.3 million (CHF 29.8 million). This resulted in a consolidated net profit of CHF 6.8 million (previous year's period: CHF 21.3 million), CHF 6.1 million (previous year's period: CHF 20.7 million) of which is attributable to Highlight shareholders.

For 2013 as a whole, we continue to anticipate consolidated sales of CHF 350 to CHF 400 million. The level reached in consolidated net profit will essentially be determined by the results of the theatrical slate for the fourth quarter.

HIGHLIGHT COMMUNICATIONS AG STOCK

Development of the capital markets

Supported by predominantly positive economic data – both on the German stock market and on most international capital markets – the rising trend continued in the third quarter of 2013. The generally sound stock exchange climate was only troubled in the second half of August, which saw significant declines on global stock markets in some areas.

This development was triggered by the threat of a US military strike against Syria and the ongoing discussion of an imminent cutback in the US Federal Reserve's bond buying program. After both risk factors turned to the positive in September, stock prices truly began to rally, allowing some benchmark indices – including the US Dow Jones Industrial Average Index and the DAX – to reach new record highs.

Overall, the Dow Jones gained 1.5 % in the period between July and September (up 15.5 % since the beginning of the year) and ended the quarter at 15,130 points. However, the clear winner among the leading indices was the Japanese Nikkei 225, which climbed by a further 5.7 % to 14,456 points in the third quarter, and has therefore risen by 39.1 % since the start of this year.

The Swiss Market Index (SMI) continued to hold its pole position among the European benchmarks after the first nine months of the current year. Having closed at 8,023, it added 340 points or 4.4 % between July and September, equivalent to growth of 17.6 % over the nine-month period.

The DAX, which closed at 8,594 points, gained 8.0 % in the third quarter, thereby improving its performance to 12.9 % since the beginning of the year. The SDAX small cap index, which also included Highlight's stock until September 22, 2013, generated an increase of 10.3 % in the third quarter (21.8 % since the start of the year) and closed trading at 6,393 points. The index for German media stocks (DAXsector Media), which had dazzled in the first half of the year with a high double-digit growth rate, rose further by 16.9 % (62.0 % since the beginning of the year) to 296 points.

Performance of Highlight stock in the third quarter of 2013

Having begun the quarter under review at its half-year closing price of EUR 4.04, Highlight's stock initially rose to EUR 4.13 in the first two weeks of trading. Thereafter, the stock price development was characterized by a gradual downward trend that ended at a level of EUR 3.60 by the middle of August. The subsequent two-week recovery phase briefly brought the share price back over the EUR 3.84 line before a renewed downswing set in that continued until the end of the quarter. On September 30, 2013, Highlight stock closed trading at EUR 3.60 – a drop of 10.9 % in the quarter under review and of 9.6 % since the start of the year. As of the end of the quarter, the 52-week high was EUR 4.79 (March 19, 2013) while the 52-week low was EUR 3.38 (October 26, 2012).

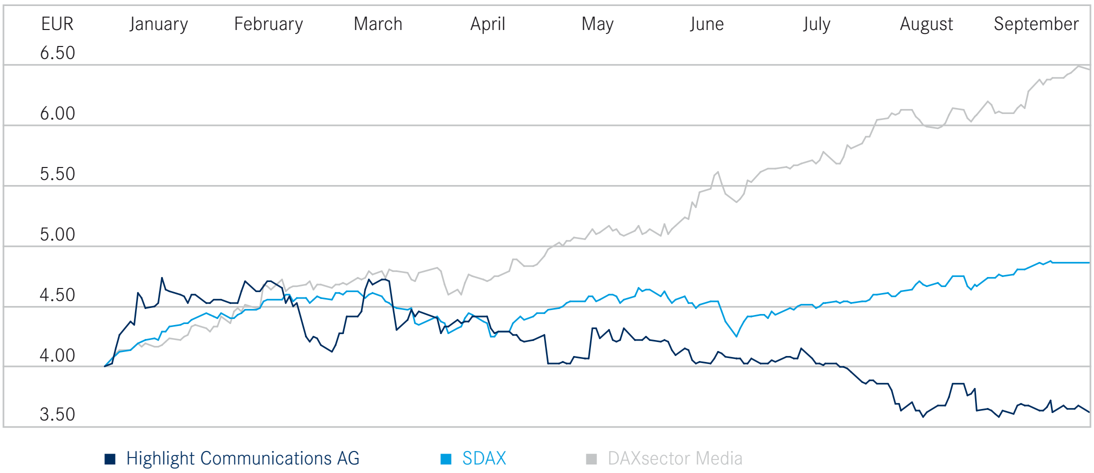
In the third quarter of 2013, a total of 2.02 million Highlight shares were traded on Deutsche Börse AG's Xetra trading system, a decline of 0.47 million as against the same period of the previous year (2.49 million). In line with this, the average turnover per trading day fell from 38,300 shares to around 30,650. However, over the first nine months, the trading volume rose from 7.3 million (around 38,050 shares per trading day) to a little more than 7.5 million (around 39,450 per trading day).

In Deutsche Börse AG's rankings for the segments below the DAX, Highlight shares were therefore placed 100th as of September 30, 2013 (June 30, 2013: 98th). They ranked 110th (June 30, 2013: 104th) in terms of free float market capitalization.

Nonetheless, at the start of September it was announced by Deutsche Börse AG that, as part of the reorganization of the SDAX, Highlight's shares would be removed from this index effective September 23. Despite this, the performance of the SDAX is still the benchmark for our company.

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

As of September 30, 2013, the subscribed capital of Highlight Communications AG was unchanged at CHF 47.25 million, divided into 47.25 million bearer shares with a nominal value of CHF 1.00 per share. In July 2013, the company acquired a further 1.1 million treasury shares without voting rights, as a result of which the total number of treasury shares rose to around 2.72 million as of the end of the third quarter. These account for 5.75 % of the subscribed capital. After deducting these shares, there were 44.53 million shares in circulation.

Constantin Medien AG holds 52.39 % of Highlight's shares. Furthermore, members of the Board of Directors as well as private and institutional investors hold significant share packages. As of September 30, 2013, the free float amounted to 41.86 % as per the definition of Deutsche Börse.

Investor relations activities

From the start, the Highlight Group's strategy has been focused on sustainably increasing enterprise value. Ongoing and open communications with capital market participants is a key element aiding 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 to help them to assess our current business situation and the future performance of the Highlight Group. We also conduct roadshows and presentations at major financial centers.

However, our website (www.highlight-communications.ch) is still the main information tool for all interested parties. In line with the principle of fair disclosure, we publish all relevant company information there in a timely manner. This primarily refers to our interim reports, annual reports, press releases and ad-hoc disclosures, which can either be read online or requested from us in printed form at any time and free of charge. An even more convenient option is our newsletter service. After a simple registration process on the Internet, users of this service receive all 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 7.00

Information on Highlight stock as of September 30, 2013

ISIN/ticker	CH 000 653 9198/HLG
Index	DAXsector Media
Closing price	EUR 3.60
52-week high	EUR 4.79
52-week low	EUR 3.38
Subscribed capital	CHF 47.25 million
Shares in circulation	44.53 million
Market capitalization (in relation to shares in circulation)	EUR 160.3 million

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

In the third quarter of 2013, the Chairman and Delegate of the Board of Directors Bernhard Burgener acquired a total of 50,000 Highlight shares, thereby increasing his holdings to 2.0 million shares. Highlight Communications AG received no notifications from the other members of the Board of Directors or the Group management regarding acquisition or sales transactions subject to reporting in the reporting period.

In addition to Mr. Burgener, only the member of the Board of Directors René Camenzind held direct or indirect shareholdings accounting to more than 1 % of the subscribed capital as of September 30, 2013. 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 September 30, 2013:

Board of Directors	Shareholdings	Share interest from options
Bernhard Burgener, Chairman and Delegate, executive member	2,000,000	–
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, while third-party productions are exploited 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 in addition to 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 works 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 the full-service agency Pokermania GmbH, Cologne, which specializes in the development of online gaming business models and the social gaming market. The activities in online/social gaming are allocated 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. By contrast, 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 third quarter

On August 6, 2013, we 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.

Report on business performance and the situation in the Film segment

Theatrical production/acquisition of rights

The amendment of the German Film Subsidies Act (FFG), which was resolved by the German Bundestag in mid-June 2013 and comes into effect from January 1, 2014, is still criticized. Many players in the film industry – including the German Producers Alliance – see the extent of the changes resolved as too limited, and are discussing further necessary steps. They claim that a comprehensive reform of the FFG is needed with a clearer, future-proof orientation. However, industry representatives admit that this reform is politically not possible at this time, particularly against the backdrop of the pending legal decision on the constitutional complaint of United Cinemas International Multiplex GmbH (UCI) against the distribution of payment obligations in line with the FFG (including an examination of the fundamental question of whether the German Federal Government has the necessary legislative authority to pass the FFG).

In this case, the German Federal Constitutional Court announced a date for the oral hearing in the middle of August. This negotiation took place on October 8, 2013, but did not result in a ruling. It is assumed that a decision will be made in the coming weeks. 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 start of July 2013, filming began on the third installment of the hit series "The Famous Five" at the Constantin Film Group, based on the children's books of the same name by Enid Blyton. Shooting for this co-production with SamFilm GmbH, which took place in Thailand, was completed at the end of August. The movie is scheduled for release in German theaters in the middle of January 2014.

Furthermore, filming on the romantic comedy "Love, Rosie" (theatrical release TBD), the 3D action adventure movie "Pompeii" (in theaters from the end of February 2014), the new Doris Dörrie comedy "Alles inklusive" (in theaters from the start of March 2014), the comedy "Irre sind männlich" (theatrical release TBD) and the fantasy film "Mara und der Feuerbringer" (theatrical release also TBD) was completed in the reporting period.

In the area of third-party productions, the Constantin Film Group secured the theatrical and video rights to the US romantic comedy "The Reluctant Professor", starring Hugh Grant and Marisa Tomei, in the third quarter of 2013. The horror western "Bone Tomahawk", featuring Kurt Russell and Jennifer Carpenter, was also acquired.

TV service production

For the vast majority of consumers, linear television is still the preferred medium. This was the conclusion arrived at in a joint study by European TV associations based on viewer figures for summer 2013. For the first time, industry associations compared the times of online use to those of television consumption per consumer. It was found, for example, that German viewers spend an average of 130 hours per month consuming television, compared to only three hours spent on YouTube.

The call by independent production associations for more transparency in service productions in public service broadcasting, which they formulated as a code of practice almost one year ago, has now been partially answered by ARD. At the start of September, the broadcaster association published specific figures on TV productions for the first time in addition to qualitative requirements. For example, the production budget for the crime formats “Tatort” and “Polizeiruf 110” broadcast on Sundays are around EUR 1.4 million per episode. The same amount is available for a TV movie on a Wednesday evening, while Friday evening productions can cost up to EUR 1.6 million.

The production associations, who now want to see ZDF take a similar step, rate this publication as a major signal. Based on this information, it will be easier for small and medium-sized production companies in particular to make ARD corresponding project offers.

At Polyscreen Produktionsgesellschaft für Film und Fernsehen mbH, filming continued on what is already the seventh season of the successful Bavarian daily “Dahoam is Dahoam” in the third quarter of 2013. To date more than 1,000 episodes of this daily have been broadcast in Bayerischer Rundfunk’s early evening program.

Following the ratings hit of the first “Tatort” with Til Schweiger as Inspector Nick Tschiller, shooting on his second episode began in Hamburg at the end of September. A broadcast date for this Constantin Television production with the working title “Kopfgeld” has not yet been set.

At the end of September 2013, the first of 100 episodes of the scripted reality show “Im Namen der Gerechtigkeit”, which is produced by Constantin Entertainment GmbH was broadcast on Sat.1 and achieved a good market share of 12.2% in the target demographic of 14-to-49-year olds. In development for this network are 20 episodes of the new mini-telenovela “Women in Love” and “E21” (aka “Verbrechen”), a further daily format.

In other European countries, the subsidiaries of Constantin Entertainment GmbH produce successful programming especially in Poland (including the new scripted reality project “Wawa nonstop” – a look at life in a shared apartment), in Switzerland (“The Voice of Switzerland” and “Verkehrte Welt” – a new six-part docu-soap) and in Israel (“The Voice of Israel”, “The Dan Shilon Show”, “Voice Kids”).

Theatrical distribution

German movie theaters generated revenues of around EUR 649 million in the period from January to September 2013 – a drop of 2.1% compared to the first nine months of the previous year (around EUR 663 million). Audiences were also in decline, decreasing by 5.6% over the same period to 81.5 million (same period of 2012: 86.3 million).

This development is largely a result of a relatively weak third quarter 2013, in which – despite big hits with moviegoers such as “Despicable Me 2”, “The Smurfs 2”, and “Grown Ups 2” – the performance of some Hollywood productions fell well short of expectations. This applies in particular to the action spectacle “White House Down” and the western “The Lone Ranger” starring Johnny Depp.

A total of 378 new films were shown in German movie theaters in the first nine months of the current year – five more than in the same period of the previous year. At around 1%, the share of new German productions released was up on the previous year.

By the end of September 2013, German movies accounted for a market share of 19.8% in terms of audience numbers, a clear improvement on the comparative figure for the same period of the previous year (16.5%). The most successful German production in the current year in terms of audience figures and revenues is still “Kokowääh 2”, followed by “Schlussmacher” and the Constantin Film co-production “The Famous Five 2”.

The Constantin Film Group released three movies in German theaters in the third quarter of 2013. The comedy thriller “Dampfnudelblues” based on the novel by Rita Falk became a surprise hit. Having opened at the start of August in theaters in Bavaria only, the Constantin Television production was seen by around 437,000 people by the end of the quarter. By the end of October, “Dampfnudelblues” had attracted around 500,000 visitors.

The international Constantin Film co-production “The Mortal Instruments: City of Bones” was released in Germany at the end of August 2013. By the end of September, it was seen by around 480,000 people in theaters and therefore failed to meet expectations. By contrast, the Olga Film production “Da geht noch was”, which was released in the middle of September in Germany, performed in line with expectations. The comedy, whose cast includes Florian David Fitz and Henry Hübchen, attracted around 326,000 moviegoers in just three weeks. By the end of October, “The Mortal Instruments: City of Bones” had been seen by around 530,000 people and “Da geht noch was” by around 478,000 moviegoers.

Including the performance of all movies released by the end of September 2013, the Constantin Film Group garnered a market share of 6.1 % by audience figures, ranking sixth behind Sony, Warner, Fox, Universal and Paramount (September 30, 2012: 8.5 %; sixth place). In terms of revenues, it ranked eighth behind Warner, Sony, Fox, Universal, Paramount, Concorde and Disney with 5.2 % (September 30, 2012: 8.2 %; sixth place).

Home entertainment

According to GfK calculations, the German home entertainment sector generated total revenues of EUR 1.011 billion in the period from January to August 2013*, a clear increase of 8.5 % as against the figure for the same period of the previous year (EUR 0.932 billion). This growth came from both the video sell-through market and the video rental market (including digital exploitation).

The revenue figures for the physical video sell-through market by the end of August 2013 are as follows: Retail revenues of EUR 784 million were generated on sales of DVDs and Blu-ray discs – a rise of 8.1 % (same period of 2012: EUR 725 million). DVD revenues amounted to EUR 554 million, matching the level for the first eight months of the previous year (EUR 553 million). By contrast, Blu-ray discs continued their rising trend and grew by 33.7 % to EUR 230 million (same period of 2012: EUR 172 million).

The trend on the electronic sell-through market was similarly positive. In the period from January to August 2013, electronic sell-through revenues rose by 33.3 % to EUR 32 million (same period of 2012: EUR 24 million). This growth is due both to rising sales figures and price increases.

Revenues on the video rental market climbed by around 6.6 % to a total of EUR 195 million by the end of August 2013 (same period of 2012: EUR 183 million). A drop in proceeds from rentals of physical data carriers from EUR 137 million to EUR 130 million was more than compensated by significant growth in electronic rentals. Revenues from video-on-demand and pay-per-view transactions rose – particularly as a result of higher sales figures for web-enabled TVs – by 43.5 % to EUR 66 million (same period of 2012: EUR 46 million).

The Highlight Group maintained its market position in German-speaking countries with high quality new releases and a host of successful secondary market releases. On the German market, which is covered in co-operation with Paramount Home Entertainment, we achieved a market share of 10 % on the video sell-through market in the period from January to August 2013 (same period of 2012: 12 %). Our joint market share on the video rental market was 12 % (same period of 2012: 14 %).

The top titles in the third quarter of 2013 were the licensed movies “Parker” and “Bullet to the Head”. Another highlight in the period from July to September was the Natascha Kampusch film adaptation “3096 Tage”. The most successful new release over the first nine months is still the Constantin Film own production “Resident Evil: Retribution”, with 275,000 units sold in German-speaking regions to date.

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

License trading/TV exploitation

The number of television sets with an Internet connection – known as smart TVs – is increasing rapidly in Germany. 58 % of all television sets sold this year have online access and this figure is expected to rise to 70 % by the end of the year. The share of smart TVs in set sales was still just 47 % in the previous year. Accordingly, the number of households with web-enabled TVs is rising strongly: The industry association BITKOM is assuming that almost one in three German households (30 %) will have a smart TV by the end of 2013.

In addition to the growing number of smart TVs, there are also more and more households with web-enabled mobile devices – such as smartphones or tablet PCs – that enable viewers to watch TV programs on the Internet and therefore independently of their living rooms at home. However, this user behavior can be only partially tracked in the viewer figures published daily by GfK on the basis of 5,000 selected representative households. To date, these figures do not take into account younger viewers in particular, who largely no longer use a "traditional" TV set. A change in the tracking and analysis system is therefore hoped for, though so far there is no sign of a real solution – specifically in terms of age, education, etc.

In the Constantin Film Group's license trading activities, the start of the initial licenses of "The Switch", "Die Superbullen", "Vorstadtkrokodile 3", "13 – Thirteen" (all ProSiebenSat.1 Group), "Glück" (ZDF) and "Türkisch für Anfänger" (ARD) had a positive impact on revenues in the third quarter of 2013. The initial broadcast of the comedy "Türkisch für Anfänger", which was shown at the end of August as part of the "Sommerkino im Ersten" series, garnered ARD a market share of 19.7 % in the target demographic of 14-to-49-year olds and thereby the day's highest ratings.

In pay-TV, revenues were affected in particular by the licensing of "New Kids Nitro" (Teleclub) and "Warum Männer nicht zuhören und Frauen schlecht einparken" (ProSiebenSat.1 Group).

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

In the first half of 2013, global advertising expenditure across all media types was up 2.8 % as against the first six months of the previous year. This development was driven in particular by the Latin American market, which expanded by 13.1 %. The Asia/Pacific and Middle East/Africa regions also posted strong growth of 6.4 % and 3.9 % respectively, while advertising expenditure increased by 2.7 % in North America. However, the European advertising market, which is still suffering under the economic problems of some countries, shrank by 6.0 %.

Although widespread economic challenges remain around the world, the pay-TV sector is proving to largely withstand the pressures, with market leaders maintaining strong subscriber numbers and investing in new channels. As has been the case over time, live sport maintains its appeal for both the viewer and the operator. 2013 has been particularly notable in sports broadcasting with the launch of new television networks in various countries – BT Sport in the UK, Fox Sports 1 and 2 in USA and beIN Sport in Indonesia.

The sponsorship environment remains as competitive as ever. Properties are facing increasing scrutiny of proposals and longer decision making processes. In addition, the pressure is on rights holders to be proactive in their partners' success to ensure that as well as impressions and media inventory packages offer brands integrated, measureable marketing platforms that ensure sponsorship success. Only if they succeed in showing how sponsors are deriving value they will continue to attract their attention.

In the marketing process for the commercial rights of the UEFA Champions League and the UEFA Europa League for the 2015/16 to 2017/18 seasons, the TEAM Group already concluded its first deals in the reporting period. In particular, the TV rights for both competitions were sold very successfully in the Middle East and Northern Africa regions. The bidding process has begun in other markets and further deals can be expected until the end of the year. The first specific contract negotiations have also been held in the area of sponsorship rights.

In terms of operating activities, TEAM provided support at the end of August 2013 in the handling of the UEFA Super Cup, which for the first time took place not in Stade Louis II in Monaco but in Prague. FC Bayern München played Chelsea FC, a repeat of the UEFA Champions League 2012 final. In a dramatic match, Munich ceded two goals and equalized only shortly before the end of extra time. In the subsequent penalty shoot-outs, FC Bayern München then successfully took its revenge for its unhappy defeat in the final the year before, and became the first German team to lift the cup. The next UEFA Super Cup will take place in Cardiff in August 2014.

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

A representative survey by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM) from 2013 has shown that computer and video games are accounting for more and more German leisure time. Gamers now spend an average of 110 minutes per day on their hobby, while 14-to-19-year olds play the longest at 136 minutes on average. However, for 50-to-64-year old players this figure is only around 90 minutes. By comparison, Germans consume an average of 220 minutes of TV programming per day.

A further analysis by BITKOM also published in 2013 has shown that smartphones are now firmly established as a platform for games. 44 % of game players in Germany – and therefore around 11 million people – play on these devices. Thus, smartphones are already just ahead of consoles, which are used by 43 % of gamers. According to BITKOM, the main reasons for this development are faster graphic chips, which enable ever better presentation on high resolution displays, and the constantly growing range of low-cost gaming apps.

Sponsorship is growing ever more significant in the financing mix of culture providers in German-speaking regions. While an average of only 6.7 % of their total income came from sponsors in 2007, this share has risen to 16.5 % in 2013 and therefore more than doubled. Also noticeable is a clear rising trend towards long-term partnerships between the respective culture provider and the sponsors. By far the leading sponsor of culture is the financial services sector (banks, insurance companies, etc.), followed by the media industry (TV, radio, publishing companies) and energy providers.

Highlight Event AG, a subsidiary of Highlight Event & Entertainment AG, focused in particular on the marketing of and organizational preparations for the 2014 New Year's Day Concert of the Vienna Philharmonic Orchestra. So far, deals have been made with more than 70 TV stations to broadcast this event. It is assumed that this number will increase to more than 80 TV networks by the end of the year.

The orchestra's special TV/sponsor concerts for this year, for which Highlight Event AG conducted negotiations with concert organizers, took place on November 2 and 3 in Beijing. The next concert will be on November 24 in Moscow. The concerts in Beijing were broadcast by both the Chinese state television network CCTV and the European Broadcasting Union (EBU).

As part of the cooperation with the EBU, work to sell the sponsorship rights to the Eurovision Song Contest, set to be held on May 10, 2014 in Copenhagen, began in the reporting period. Parallel to this, merchandising activities for this event progressed constantly. Preparations continued for the EBU project "Eurovision Young Musicians", one of the world's most important contests for young musicians in the field of classical music, which will take place in Cologne on May 31, 2014.

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

In the period from January to September 2013, the Highlight Group generated consolidated sales of CHF 262.0 million, CHF 50.7 million or 16.2 % below the previous year's figure of CHF 312.7 million. This decline was partially offset by capitalized film production costs and other own work capitalized which – as a result of the consistently high production volume – climbed by CHF 29.4 million to CHF 73.9 million (previous year's period: CHF 44.5 million). By contrast, other operating income declined by CHF 3.7 million to CHF 13.9 million (previous year's period: CHF 17.6 million).

Consolidated operating expenses amounted to CHF 342.6 million, a slight drop of CHF 2.4 million or 0.7 % as against the first nine months of 2012 (CHF 345.0 million). This decline was primarily due to amortization, depreciation and impairment, which decreased by CHF 23.0 million to CHF 69.7 million. Personnel expenses fell by CHF 3.0 million to CHF 77.4 million, while other operating expenses increased by CHF 3.7 million to CHF 51.6 million. The cost of materials and licenses rose by CHF 19.9 million due to production activities to CHF 143.9 million.

As a result of these developments, EBIT was CHF 7.3 million, below the figure for the first nine months of the previous year (CHF 29.8 million).

Earnings from investments in associated companies and joint ventures amounted to a low expense of TCHF 25 in the period from January to September 2013 as compared to income of TCHF 170 in the same period of the previous year. By contrast, the financial result improved from CHF –3.2 million to CHF +0.1 million, which was essentially due to currency effects. Financial income climbed from CHF 3.7 million to CHF 6.0 million while financial expenses fell from CHF 6.9 million to CHF 5.8 million.

After deducting tax expenses (income taxes and deferred taxes) of CHF 0.6 million (previous year's period: CHF 5.5 million), the Highlight Group is reporting a consolidated net profit of CHF 6.8 million for the first nine months of the current fiscal year (previous year's period: CHF 21.3 million). CHF 0.7 million of this profit (previous year's period: CHF 0.6 million) is attributable to non-controlling interests, hence an amount of CHF 6.1 million (previous year's period: CHF 20.7 million) is attributable to the shareholders of Highlight Communications AG. In relation to the average number of shares outstanding, this corresponds to earnings per share of CHF 0.13 (previous year's period: CHF 0.45).

Result of segment operations

The Film segment generated external sales of CHF 222.7 million in the first nine months of 2013 – a drop of CHF 25.5 million compared to the same period of the previous year (CHF 248.2 million). In particular, this development reflects the fact that Constantin Film AG's current theatrical distribution slate has not yet matched the previous year's figures for sales and audiences. In the current year, just one title – "The Famous Five 2" – has been seen by more than a million moviegoers, while in the period from January to September 2012 there were already three ("The Famous Five", "Türkisch für Anfänger" and "Step Up Revolution").

By contrast, the Film segment's other income, which is largely defined by capitalized film production costs, rose by CHF 26.4 million to CHF 87.6 million (previous year's period: CHF 61.2 million) and therefore compensated for the drop in sales. However, as segment expenses rose by CHF 10.3 million to CHF 310.2 million as a result of production at the same time (previous year's period: CHF 299.9 million), the segment result was below the previous year's level at CHF 0.1 million (CHF 9.5 million).

The sales development of the Sports- and Event-Marketing segment is still essentially characterized by changes in the business relationship with UEFA. As a result of this, external sales in this segment decreased by CHF 20.6 million to CHF 36.5 million (previous year's period: CHF 57.1 million). The expenses declined by CHF 9.5 million to CHF 23.0 million (previous year's period: CHF 32.5 million), resulting in segment earnings of CHF 13.7 million. As expected, this was lower than the previous year's figure of CHF 25.3 million.

The Other Business Activities segment generated external sales of CHF 2.8 million (previous year's period: CHF 7.3 million) and other income of CHF 0.8 million (previous year's period: CHF 1.1 million). With segment expenses of CHF 5.8 million (previous year's period: CHF 9.4 million), this resulted in a segment loss of CHF 2.1 million (previous year's period: CHF 1.0 million). The sales decline was as expected and essentially due to the discontinued sale of certain gaming machines for casinos at the start of 2013. The third quarter of the previous year was also influenced by non-recurring orders. Accordingly, earnings in the first nine months of 2013 were down year-on-year despite the adjustment of expenses.

The costs of holding activities rose by 12.8 % in the reporting period to CHF 4.4 million (previous year's period: CHF 3.9 million).

Net assets situation

As of September 30, 2013, the total assets of the Highlight Group amounted to CHF 456.0 million – an increase of CHF 34.1 million compared to the end of 2012 (CHF 421.9 million). The main increases on the assets side of the balance sheet were in non-current assets, which climbed by CHF 30.0 million to CHF 229.9 million (December 31, 2012: CHF 199.9 million). Under current assets there was a slight rise of CHF 4.1 million to CHF 226.1 million (December 31, 2012: CHF 222.0 million). An increase in trade accounts receivable and other receivables due from third parties of CHF 23.4 million was offset by a drop in cash and cash equivalents of CHF 19.4 million.

As of the end of the reporting period, film assets amounted to CHF 191.9 million, an increase of CHF 29.3 million as against December 31, 2012 (CHF 162.6 million). CHF 166.0 million of the total figure for film assets (December 31, 2012: CHF 134.7 million) related to in-house productions and CHF 25.9 million (December 31, 2012: CHF 27.9 million) to third-party productions. The growth in in-house productions is due to significantly higher additions compared to amortization on films being exploited.

On the equity and liabilities side of the balance sheet, non-current liabilities decreased by CHF 1.8 million to CHF 18.8 million (December 31, 2012: CHF 20.6 million), while current liabilities rose by CHF 44.9 million to CHF 335.0 million (December 31, 2012: CHF 290.1 million). This increase is essentially due to financial liabilities (up CHF 36.2 million) and trade accounts payable and other liabilities due to third parties (up CHF 15.4 million). By contrast, income tax liabilities declined by CHF 6.1 million.

Consolidated equity (including non-controlling interests) fell by CHF 9.2 million to CHF 102.1 million (December 31, 2012: CHF 111.3 million). This development is primarily due to the dividend distributions (CHF 9.4 million), the acquisition of treasury shares (CHF 8.2 million) and the purchase of non-controlling interests (CHF 2.6 million). In particular, equity was increased by the consolidated net profit for the period of CHF 6.8 million.

Relative to the significantly higher total assets, this resulted in a sound notional equity ratio of 22.4 % as of September 30, 2013 (December 31, 2012: 26.4 %). The adjusted equity ratio (after netting advance payments received against film assets and cash and cash equivalents against financial liabilities) was 28.5 % (December 31, 2012: 36.6 %).

Financial situation

Cash and cash equivalents fell by CHF 19.4 million as against the end of 2012 (CHF 72.5 million) to CHF 53.1 million. Current financial liabilities rose at the same time by CHF 36.2 million to CHF 172.2 million (December 31, 2012: CHF 136.0 million). Accordingly, net debt increased by CHF 55.6 million to CHF 119.1 million (December 31, 2012: CHF 63.5 million).

The Highlight Group generated a net cash inflow of CHF 59.8 million from operating activities, a decrease of CHF 62.4 million as against the same period of the previous year (CHF 122.2 million). Among other things, this development was due to the decline in net profit for the period and changes in net operating current assets.

In the period from January to September 2013, investing activities resulted in a cash outflow of CHF 94.8 million – a slight decline of CHF 1.7 million compared to the first nine months of the previous year (CHF 96.5 million). This decrease was essentially due to payments for property, plant and equipment, which fell by CHF 2.2 million to CHF 1.3 million (previous year's period: CHF 3.5 million). Payments for film assets remained virtually constant year-on-year at CHF 92.7 million (CHF 92.1 million).

The cash inflow from financing activities declined by CHF 78.4 million compared to the first nine months of 2012 (CHF 93.2 million) to CHF 14.8 million. This was largely due to a significant decline in net borrowing from CHF 100.3 million to CHF 35.1 million. In addition, there were the effects of the purchase of treasury shares (CHF 8.2 million; previous year's period: CHF 0 million) and the acquisition of non-controlling interests (CHF 2.6 million; previous year's period: CHF 0 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 September 30, 2013, the Highlight Group had a total of 869 employees (September 30, 2012: 840). This figure includes employees on non-permanent, project-related contracts.

Events after the balance sheet date

The management and the Board of Directors are not aware of any events that occurred after the end of the reporting period that could significantly influence the net assets, financial position and results of operations of the Highlight Group.

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 the information currently available.

The following risks and opportunities are described in addition to those in the 2012 annual report:

Risks

In relation to the Sports- and Event-Marketing projects, risks may arise from the TEAM Group's dependence on the major client UEFA. Previous success and the company's positioning in the market, as well as the targeted strategic orientation towards UEFA, help qualify this situation.

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 and 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 affect 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. Furthermore, it should be noted that – despite the extension of the agreement with the EBU until 2018 – certain financial targets have to be met each year, which would grant the EBU a right to withdraw if not complied with.

Attracting sponsorship for the new AvD-Oldtimer-Grand-Prix project is extremely challenging due to the tense economic situation in many parts of Europe.

Opportunities

Parallel to the UEFA Champions League, a brand new competition for younger players – the UEFA Youth League for U19 teams – was launched in mid-September 2013. The free-TV broadcaster Eurosport secured the exclusive media rights in Europe for the period from 2013 to 2015 and broadcasts a match live on every day of play. From the semifinals, which will take place on April 11, 2014, the holders of the rights to the UEFA Champions League in each of the countries participating in this competition will have the opportunity to secure the media rights – together with Eurosport.

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 is still focusing 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 AG 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.

TV service production

In TV service production, a stable advertising market is still expected, 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 impact 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 monitored as potential competition to commercial television.

In this business area, too, the Constantin Film Group will increasingly be 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 affected by the increasingly aggressive purchasing policy of the major online portals.

Theatrical distribution

In the theatrical distribution business area, it is assumed that the theatrical year in Germany will end well in the final three months. A range of Hollywood productions from various genres such as “Cloudy with a Chance of Meatballs 2”, “The Hunger Games: Catching Fire” and especially “The Hobbit: The Desolation of Smaug” should draw large numbers of moviegoers until the end of the year. From a German perspective, “Der Medicus”, “Buddy” and the Constantin Film title “Fack ju Göhte” could ensure good results.

In this business area, the Constantin Film Group 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 German big screen in periods relevant to audiences.

A total of five new releases are scheduled for the fourth quarter of 2013, including the licensed titles already out, “Ender’s Game” and “The Fifth Estate”. This is also true of the new Bora Dagtekin comedy “Fack ju Göhte”, which hit theaters at the start of November. Until the end of the year, these will be followed by “Delivery Man” (released at the start of December) and the family entertainment adventure “Walking with Dinosaurs 3D”, which will be out shortly before Christmas.

Home entertainment

On the German home entertainment market, electronic distribution (video-on-demand) continues to play an important role. Constantin Film AG is still assuming that the market share of video-on-demand – measured on the basis of the current market volume – will 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 the enhancement of 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, will be built on further in the future. In home entertainment exploitation, stable revenues are expected in the next few months from titles such as “3096 Tage”, “The Famous Five 2”, “Scary Movie 5” 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, which is currently held, remains to be seen.

Sports- and Event-Marketing

Regarding the development of global advertising expenditure, the media planning and buying company ZenithOptimedia forecast growth of 3.5 % for the current year in September 2013 and thereby confirmed its June assessment. ZenithOptimedia is assuming that this increase will gather pace in the next two years, and is forecasting a growth rate of 5.1 % for 2014 and of 5.9 % for 2015. The company’s reasons for this are the continuing momentum in the emerging nations and a boom in the field of mobile advertising (advertising on the Internet sent to smartphones and tablet PCs).

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 in addition to 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 still active support for commercial partners in the current season and the marketing process now underway for media and sponsorship rights of the UEFA Champions League and the UEFA Europa League for the new sales cycle (2015/16 to 2017/18).

Other Business Activities

In a recent study, PricewaterhouseCoopers AG (PwC) came to the conclusion that the German games market will grow more strongly again in the coming years. Industry revenues are already expected to exceed the two-billion mark in the current year, and PwC is forecasting revenues of EUR 2.4 billion for 2016. Based on the equivalent figure of just under EUR 1.85 billion in 2012, this would mean average annual growth of 3.9 %.

According to the study, a key growth driver is virtual additional content in the free-to-play area. In this business model, game producers provide the basic game content free of charge to offer potential users as low an entry barrier as possible. Additional content such as game extensions or functional items can then be bought as the game progresses. PwC is assuming that this segment will grow by an average of 10 % per year – and therefore significantly more than the market as a whole. With German gamers already having invested over EUR 260 million in virtual goods in the past year, this figure could rise to EUR 415 million by 2017.

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

In addition, Kuuluu Interactive Entertainment AG, an at-equity consolidated minority investment of Rainbow Home Entertainment AG, specializes in the development of online games for leading international artists. These online games are intended to help top stars from the worlds of music, film and entertainment to raise their profiles in international networks and to enhance their market value by expanding their fan base.

Highlight Group

On the basis of these activities, we are still assuming consolidated sales of between CHF 350 and CHF 400 million for 2013 as a whole. The level reached in consolidated net profit will essentially be determined by the results of the theatrical slate for the fourth quarter.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of September 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 SEPTEMBER 30, 2013 (unaudited)

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Sep. 30, 2013	Dec. 31, 2012*
Non-current assets		
In-house productions	166,037	134,687
Third-party productions	25,849	27,946
Film assets	191,886	162,633
Other intangible assets	4,016	4,954
Goodwill	17,979	17,892
Property, plant and equipment	5,249	5,864
Investments in associated companies and joint ventures	320	406
Non-current receivables due from third parties	1,388	1,464
Receivables due from associated companies and joint ventures	5,265	3,294
Other financial assets	244	249
Deferred tax assets	3,594	3,131
	229,941	**199,887**
Current assets		
Inventories	4,979	3,875
Trade accounts receivable and other receivables due from third parties	138,817	115,363
Receivables due from related parties	17	102
Receivables due from associated companies and joint ventures	3,452	3,326
Other financial assets	17,861	17,197
Income tax receivables	3,709	5,484
Cash and cash equivalents	53,086	72,517
Non-current assets held for sale	4,150	4,150
	226,071	**222,014**
Total assets	**456,012**	**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.

EQUITY AND LIABILITIES (TCHF)	Sep. 30, 2013	Dec. 31, 2012*
Equity		
Subscribed capital	47,250	47,250
Treasury stock	–2,716	–1,157
Capital reserve	–104,534	–103,614
Other reserves	–26,457	–28,106
Retained earnings	171,870	157,729
Shareholders’ interests	6,114	25,944
Equity attributable to shareholders	91,527	98,046
Non-controlling interests	10,612	13,231
	102,139	**111,277**
Non-current liabilities		
Other liabilities	5	5
Pension liabilities	9,530	9,676
Provisions	523	1,434
Deferred tax liabilities	8,768	9,444
	18,826	**20,559**
Current liabilities		
Financial liabilities	172,227	136,034
Advance payments received	44,737	45,534
Trade accounts payable and other liabilities due to third parties	110,969	95,570
Liabilities due to related parties	1,316	250
Liabilities due to associated companies and joint ventures	813	1,344
Provisions	4,199	4,479
Income tax liabilities	786	6,854
	335,047	**290,065**
Total equity and liabilities	**456,012**	**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 SEPTEMBER 30, 2013 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	1/1 to 9/30 2013	1/1 to 9/30 2012*	7/1 to 9/30 2013	7/1 to 9/30 2012*
Sales	**262,042**	**312,667**	**105,682**	**149,055**
Capitalized film production costs and other own work capitalized	**73,926**	**44,541**	**24,228**	**18,856**
Total output	**335,968**	**357,208**	**129,910**	**167,911**
Other operating income	**13,927**	**17,646**	**4,148**	**2,790**
Costs for licenses, commissions and materials	–28,527	–32,752	–10,079	–12,267
Costs for purchased services	–115,368	–91,270	–36,100	–41,754
Cost of materials and licenses	**–143,895**	**–124,022**	**–46,179**	**–54,021**
Salaries	–68,798	–72,181	–24,108	–25,639
Social security, pension costs	–8,585	–8,267	–2,907	–3,054
Personnel expenses	**–77,383**	**–80,448**	**–27,015**	**–28,693**
Amortization and impairment on film assets	–66,193	–89,604	–38,305	–61,092
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	–3,544	–3,071	–1,169	–1,035
Amortization, depreciation and impairment	**–69,737**	**–92,675**	**–39,474**	**–62,127**
Other operating expenses	**–51,555**	**–47,894**	**–20,010**	**–11,526**
Profit from operations	**7,325**	**29,815**	**1,380**	**14,334**
Earnings from investments in associated companies and joint ventures	**–25**	**170**	**102**	**41**
Financial income	5,988	3,655	1,885	1,858
Financial expenses	–5,849	–6,873	–1,742	–1,935
Financial result	**139**	**–3,218**	**143**	**–77**
Profit before taxes	**7,439**	**26,767**	**1,625**	**14,298**
Current taxes	–2,007	–7,715	–825	–5,144
Deferred taxes	1,381	2,265	1,638	1,021
Taxes	**–626**	**–5,450**	**813**	**–4,123**
Net profit	**6,813**	**21,317**	**2,438**	**10,175**
thereof shareholders' interests	6,114	20,723	1,946	9,497
thereof non-controlling interests	699	594	492	678

(CHF)	1/1 to 9/30 2013	1/1 to 9/30 2012*	7/1 to 9/30 2013	7/1 to 9/30 2012*
Earnings per share				
Earnings per share attributable to shareholders, basic	0.13	0.45	0.04	0.20
Earnings per share attributable to shareholders, diluted	0.13	0.45	0.04	0.20

** 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 SEPTEMBER 30, 2013 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Sep. 30, 2013	Jan. 1 to Sep. 30, 2012*
Net profit	**6,813**	**21,317**
Currency translation differences	1,689	–628
Items that may be reclassified to the income statement in future	**1,689**	**–628**
Actuarial gains and losses of defined benefit pension plans	815	–1,608
Gains/losses from financial assets at fair value through other comprehensive income/loss	1,814	1,492
Items that will not be reclassified to the income statement in future	**2,629**	**–116**
Other comprehensive income/loss, net of tax	**4,318**	**–744**
Total comprehensive income/loss	**11,131**	**20,573**
thereof shareholders' interests	10,357	20,122
thereof non-controlling interests	774	451

** 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 SEPTEMBER 30, 2013 (unaudited)

Highlight Communications AG, Pratteln

	Equity	
(TCHF)	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	–	–
Changes in scope of consolidation	–	–
Balance as of September 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	–	–1,559
Sale of treasury stock	–	–
Dividend payments	–	–
Change in non-controlling interests	–	–
Other changes	–	–
Balance as of September 30, 2013	47,250	–2,716

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**
–	–623	–	–	–623	–5	–628
–	**–623**	**–**	**–**	**–623**	**–5**	**–628**
–	–	–1,470	–	–1,470	–138	–1,608
–	–	1,492	–	1,492	–	1,492
–	**–**	**22**	**–**	**22**	**–138**	**–116**
–	**–623**	**22**	**–**	**–601**	**–143**	**–744**
–	–	–	20,723	20,723	594	21,317
–	**–623**	**22**	**20,723**	**20,122**	**451**	**20,573**
–	–	31,610	–31,610	–	–	–
–223	–	–	–	–223	2,953	2,730
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–7,836	–	–7,836	–1,917	–9,753
2,131	–	–	–	2,131	–2,131	–
–	–	–	–	–	48	48
–102,694	**–27,716**	**156,794**	**20,723**	**93,200**	**12,443**	**105,643**
–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**
–	1,649	–	–	1,649	40	1,689
–	**1,649**	**–**	**–**	**1,649**	**40**	**1,689**
–	–	780	–	780	35	815
–	–	1,814	–	1,814	–	1,814
–	**–**	**2,594**	**–**	**2,594**	**35**	**2,629**
–	**1,649**	**2,594**	**–**	**4,243**	**75**	**4,318**
–	–	–	6,114	6,114	699	6,813
–	**1,649**	**2,594**	**6,114**	**10,357**	**774**	**11,131**
–	–	25,944	–25,944	–	–	–
–	–	–6,639	–	–8,198	–	–8,198
–	–	–	–	–	–	–
–	–	–7,758	–	–7,758	–1,666	–9,424
–920	–	–	–	–920	–1,727	–2,647
–	–	–	–	–	–	–
–104,534	**–26,457**	**171,870**	**6,114**	**91,527**	**10,612**	**102,139**

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

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Sep. 30, 2013	Jan. 1 to Sep. 30, 2012*
Net profit	6,813	21,317
Deferred taxes	–1,381	–2,265
Current taxes	2,007	7,715
Financial result (without currency result)	1,812	2,253
Earnings from investments in associated companies and joint ventures	25	–170
Amortization, depreciation and impairment on non-current assets	69,737	92,675
Gain (–)/loss (+) from disposal of non-current assets	24	–81
Other non-cash items	416	–1,220
Increase (–)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities	–25,079	1,632
Decrease (–)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities	13,361	8,711
Dividends received from associated companies and joint ventures	254	–
Interest paid	–2,281	–2,515
Interest received	437	382
Income taxes paid	–11,015	–6,647
Income taxes received	4,692	447
Cash flow from operating activities	**59,822**	**122,234**
Change in cash and cash equivalents due to acquisitions of companies/shares in companies, net	–	48
Payments for intangible assets	–696	–1,254
Payments for film assets	–92,659	–92,090
Payments for property, plant and equipment	–1,265	–3,503
Payments for financial assets	–188	–22
Proceeds from disposals of property, plant and equipment	34	359
Cash flow for investing activities	**–94,774**	**–96,462**
Proceeds from capital increases and the issue of equity instruments	–	2,730
Payments for purchase of treasury stock	–8,198	–
Payments for purchase of non-controlling interests	–2,647	–
Repayment of current financial liabilities	–49,446	–62,000
Proceeds from receipt of current financial liabilities	84,485	162,263
Dividend payments	–9,424	–9,753
Cash flow from financing activities	**14,770**	**93,240**
Cash flow for/from the reporting period	**–20,182**	**119,012**
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	751	1,231
Cash and cash equivalents at the end of the reporting period	53,086	260,954
Change in cash and cash equivalents	**–20,182**	**119,012**

** 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 SEPTEMBER 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 November 11, 2013.

2. Accounting and valuation principles

The accompanying unaudited, condensed consolidated interim financial statements for the period from January 1, 2013 to September 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 required in these 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 consolidated income statement in future and those that will not be – depending on whether or not the issue at hand will be posted in the 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 Sep. 30, 2012 after adjustment	before adjustment	adjustment	July 1 to Sep. 30, 2012 after adjustment
Social security, pension costs	–8,055	–212	–8,267	–2,960	–94	–3,054
Deferred taxes	2,242	23	2,265	1,011	10	1,021
Net profit	**21,506**	**–189**	**21,317**	**10,259**	**–84**	**10,175**
thereof shareholders’ interests	20,895	–172	20,723	9,575	–78	9,497
thereof non-controlling interests	611	–17	594	684	–6	678
Earnings per share attributable to shareholders, basic (CHF)	0.45	0.00	0.45	0.20	0.00	0.20
Earnings per share attributable to shareholders, diluted (CHF)	0.45	0.00	0.45	0.20	0.00	0.20

Consolidated statement of comprehensive income/loss

(TCHF)	before adjustment	adjustment	Jan. 1 to Sep. 30, 2012 after adjustment	before adjustment	adjustment	July 1 to Sep. 30, 2012 after adjustment
Net profit	**21,506**	**–189**	**21,317**	**10,259**	**–84**	**10,175**
Actuarial gains and losses of defined benefit pension plans	–	–1,608	–1,608	–	–537	–537
Items that will not be reclassified to the income statement in future	**1,492**	**–1,608**	**–116**	**–323**	**–537**	**–860**
Total comprehensive income/loss	**22,370**	**–1,797**	**20,573**	**10,285**	**–621**	**9,664**
thereof shareholders’ interests	21,764	–1,642	20,122	9,571	–569	9,002
thereof non-controlling interests	606	–155	451	714	–52	662

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:

September 30, 2013 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/without category	–	360	–	360
Financial assets at fair value through profit or loss	FVPL	244	–	2,395	2,639
Financial assets (equity instruments)	FVOCI	15,466	–	–	15,466
Financial liabilities measured at fair value					
Derivative financial instruments	FLPL/without category	–	878	–	878

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	–139
Acquisition	–
Sale	–
Fair value as of September 30, 2013	**2,395**

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 139.

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 456,012 as of September 30, 2013 after TCHF 421,901 as of December 31, 2012. While non-current assets increased by TCHF 30,054, particularly due to a rise in in-house productions, current assets rose by a total of TCHF 4,057 as of September 30, 2013. This increase resulted primarily from a rise in trade accounts receivable and other receivables from TCHF 115,363 to TCHF 138,817. This was partly offset by cash and cash equivalents, which declined by TCHF 19,431. On the liabilities side, non-current liabilities decreased by TCHF 1,733 and current liabilities rose by TCHF 44,982. In addition, equity declined by TCHF 9,138 to TCHF 102,139.

Film assets

As of September 30, 2013, film assets increased by TCHF 29,253 compared to December 31, 2012. In-house productions increased by TCHF 31,350, while third-party productions declined by a total of TCHF 2,097. 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 23,495. This was due to the TCHF 527 decrease in trade accounts receivable, the TCHF 23,981 increase in other receivables and the TCHF 126 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 climbed by TCHF 664 to TCHF 17,861, primarily due to the recovery 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 53,086 as of September 30, 2013. Financing activities resulted in a cash inflow of TCHF 14,770, due mainly to borrowing of financial liabilities. The Group's investing activities used cash of TCHF 94,774, which was due essentially to payments for film assets. Operating activities had a positive cash flow of TCHF 59,822.

Equity

As of September 30, 2013, the balance of directly and indirectly held non-voting treasury shares amounted to 2,715,650 Highlight Communications AG shares (December 31, 2012: 1,156,567). A total of 1,599,083 treasury shares were acquired in the reporting period at a purchase price of TCHF 8,198.

Equity fell by TCHF 9,138 from TCHF 111,277 to TCHF 102,139 as of September 30, 2013. One of the reasons for this decrease was the distribution of dividends totaling TCHF 9,424 and the purchase of treasury shares. The increase in shares in Highlight Event & Entertainment AG also led to a TCHF 920 decrease in the capital reserve and a TCHF 1,727 decrease in non-controlling interests. An increase of TCHF 1,814 resulted from the rise in the value of Constantin Medien shares recognized in retained earnings. The increase in other reserves of TCHF 1,649 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 6,813 contributed to an additional positive effect.

Liabilities

With a decline of TCHF 1,733, non-current liabilities decreased slightly compared with the end of 2012, while current liabilities increased by a total of TCHF 44,982. Financial liabilities climbed by TCHF 36,193 to TCHF 172,227. At the same time, trade accounts payable increased by TCHF 6,413 and other liabilities rose by TCHF 8,986.

Sales and other income

Sales in the first three quarters of 2013 amounted to TCHF 262,042, after TCHF 312,667 in the same period of 2012. Sales in the Sports- and Event-Marketing segment declined by TCHF 20,638 and the Film segment's sales fell by TCHF 25,490. Capitalized film production costs and other own work capitalized increased by TCHF 29,385 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 three quarters of 2012.

Operating expenses

Cost of materials and licenses climbed by TCHF 19,873 year-on-year. The increase was chiefly a result of higher production volumes in the Film segment.

Personnel expenses amounted to TCHF 77,383 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 69,737 (previous year's period: TCHF 92,675) comprise amortization and depreciation of TCHF 67,691 (previous year's period: TCHF 88,027) and impairment of TCHF 2,046 (previous year's period: TCHF 4,648), 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 801 in the period under review (previous year's period: TCHF 596). The cumulative unrecognized pro rata loss was TCHF 1,886 (December 31, 2012: TCHF 1,085).

Financial result

The financial result of the first three quarters of 2013 increased by a total of TCHF 3,357 compared to the previous year's period, mainly as a result of currency effects. In addition, the equity swap transaction was reversed 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 41).

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 September 30, 2013

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Recon-ciliation	Group
External sales	222,703	36,498	2,841	–	–	262,042
Other segment income	87,599	215	796	–	–757	87,853
Segment expenses	–310,167	–23,026	–5,754	–4,380	757	–342,570
thereof depreciation, amortization	*–65,835*	*–748*	*–1,108*	–	–	*–67,691*
thereof impairment	*–2,046*	–	–	–	–	*–2,046*
Segment result	**135**	**13,687**	**–2,117**	**–4,380**	–	**7,325**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						–25
Financial income						5,988
Financial expenses						–5,849
Profit before taxes						**7,439**

Segment information January 1 to September 30, 2012*

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Recon-ciliation	Group
External sales	248,193	57,136	7,338	–	–	312,667
Other segment income	61,196	627	1,105	–	–741	62,187
Segment expenses	–299,924	–32,495	–9,425	–3,936	741	–345,039
thereof depreciation, amortization	*–86,436*	*–698*	*–893*	–	–	*–88,027*
thereof impairment	*–4,648*	–	–	–	–	*–4,648*
Segment result	**9,465**	**25,268**	**–982**	**–3,936**	–	**29,815**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						170
Financial income						3,655
Financial expenses						–6,873
Profit before taxes						**26,767**

** 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 44,061 to TCHF 91,405 as of September 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 5). The expenses of TCHF 21 (previous year's period: TCHF 42) 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 September 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 133 (previous year's period: TCHF 354) was generated with Sport1 Gaming GmbH, an indirect, wholly-owned subsidiary of Constantin Medien AG. There were receivables totaling TCHF 17 as of September 30, 2013 (December 31, 2012: TCHF 35).

In the reporting period, sales and other income of TCHF 1,859 (previous year's period: TCHF 0) and expenses of TCHF 107 (previous year's period: TCHF 0) were generated with SPORT1 GmbH, an indirect, wholly-owned subsidiary of Constantin Medien AG. The liabilities amounted to TCHF 1,040 as of September 30, 2013 (December 31, 2012: TCHF 2). As in the previous year, there were no receivables as of September 30, 2013.

Expenses incurred with Plazamedia GmbH TV- & Film-Produktion, an indirect, wholly-owned subsidiary of Constantin Medien AG, amounted to TCHF 131 in the first nine months of 2013 (previous year's period: TCHF 282) in connection with production of TV series. There were no liabilities as of September 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 September 30, 2013 (December 31, 2012: receivables of TCHF 5).

The Highlight Group's sales and other income totaling TCHF 8,512 in the reporting period (previous year's period: TCHF 7,970) 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 7,883 (previous year's period: TCHF 7,305). There were also miscellaneous expenses totaling TCHF 36 (previous year's period: TCHF 0). As of September 30, 2013, there were receivables of TCHF 2 (December 31, 2012: TCHF 0) and liabilities of TCHF 768 (December 31, 2012: TCHF 1,002).

Income of TCHF 60 (previous year's period: TCHF 10) and expenses of TCHF 1,425 (previous year's period: TCHF 0) were generated with Mister Smith Entertainment Ltd. in the reporting period. As of September 30, 2013, there were receivables of TCHF 1,495 (December 31, 2012: TCHF 1,399). There were no liabilities as of September 30, 2013 (December 31, 2012: TCHF 342).

Expenses of TCHF 69 were incurred with NEF-Production S.A.S. in the reporting period (previous year's period: TCHF 157). The outstanding receivables of TCHF 1,955 (December 31, 2012: TCHF 1,927) arose in connection with the co-production "The Three Musketeers". There were liabilities of TCHF 23 as of September 30, 2013 (December 31, 2012: TCHF 0).

In the reporting period, total sales of TCHF 2 (previous year's period: TCHF 247) and expenses of TCHF 65 (previous year's period: TCHF 0) were generated with Kuuluu Interactive Entertainment AG and Kuuluu Services GmbH. As of September 30, 2013, there were non-current receivables of TCHF 5,265 (December 31, 2012: TCHF 3,294). Current liabilities amounted to TCHF 22 (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 277 in the first three quarters of 2013 (previous year's period: TCHF 271). 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 September 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

The management and the Board of Directors are not aware of any events that occurred after the end of the reporting period that could significantly influence the net assets, financial position or results of operations of the Highlight Group.

Imprint

Publisher and responsible for content: Highlight Communications AG, Pratteln

Design, copy, layout and production: GFD Finanzkommunikation, Frankfurt am Main

Pictures: dpa Picture-Alliance, Frankfurt am Main (inside cover, front and back), TEAM Group, Lucerne (outside cover)
Constantin Film Group, Munich (outside cover)

The best team in Europe: Following their triumph in the UEFA Champions League, FC Bayern München also went on to take the UEFA Super Cup in a dramatic final.

Events 2014

Cinema

Berlinale	February 6 – 16
Academy Awards	March 2
Cannes Film Festival	May 14 – 25
Locarno Film Festival	August 6 – 16
Venice Film Festival	August 27 – September 6
Toronto Film Festival	September 4 – 14

Sports- and Event-Marketing

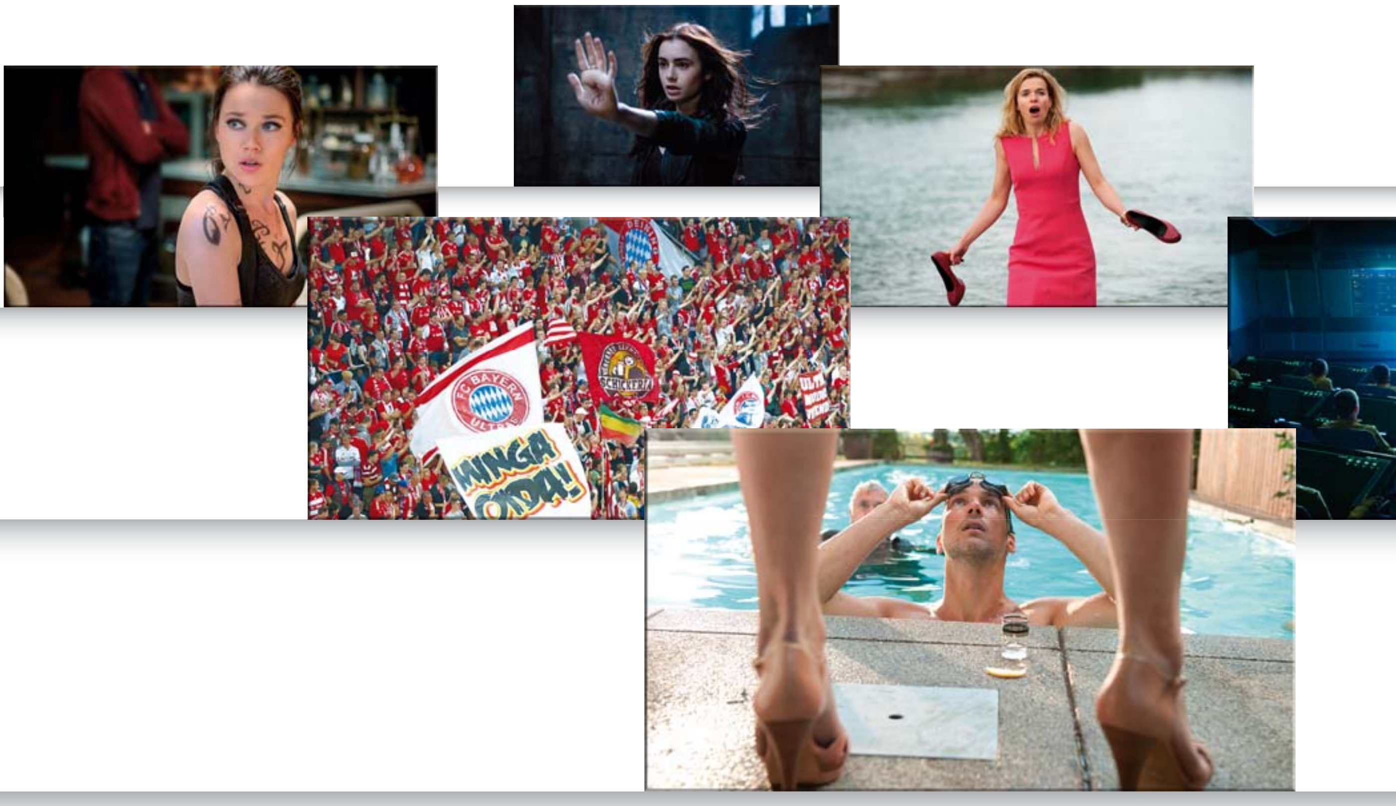
UEFA Europa League final	May 14
UEFA Champions League final	May 24

Other Business Activities

Vienna Philharmonic's New Year's Day Concert	January 1
Eurovision Song Contest, semifinals	May 6 and 8
Eurovision Song Contest, final	May 10
Vienna Philharmonic's Summer Night Concert	May 29

Investor Relations

Annual report 2013	March
Interim reports	May/August/November
German Equity Forum	November 24 – 26



Highlight Communications AG
Netzibodenstr. 23 b · 4133 Pratteln BL, Switzerland
Phone +41 (0) 61-816 96 96 · Fax +41 (0) 61-816 67 67
info@hlcom.ch · www.highlight-communications.ch