Highlight

Highlight Communications AG

Interim Report as of March 31, 2015

Red carpet in Cologne: Along with a host of excited fans, the stars of the Constantin Film hit comedy "Frau Müller muss weg" celebrated the German premiere.

At a glance: Events in the first quarter of 2015

JANUARY At the Bavarian Film Awards, held on January 16, 2015, the Constantin Film co-production "Frau Müller muss weg" won the prize for best screenplay. The comedy directed by Sönke Wortmann has also been a big hit at the box office, drawing in more than a million moviegoers so far.

FEBRUARY On the film market at the Berlinale 2015, the Constantin Film Group secured the German-language exploitation rights to "That's What I'm Talking About", the new project by the winner of last year's Berlinale prize for best director, Richard Linklater. The film, for which Linklater also wrote the screenplay, is already in post-production.

MARCH At the end of March 2015, the TEAM Group achieved the performance targets agreed with UEFA 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 respectively). As a result of this, a new agency agreement was concluded between UEFA and TEAM for the global marketing of UEFA's club competitions for three more seasons (2018/19 to 2020/21). Subject to appropriate performance, it will also cover the period from 2021/22 to 2023/24.

Members of the Highlight Group

Constantin Film

RAINBOW HOME ENTERTAINMENT

TEAM MARKETING

HIGHLIGHT EVENT & ENTERTAINMENT

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PREFACE

Dear shareholders and other interested parties,

The Highlight Group has made a sound start to fiscal year 2015.

In the first quarter of 2015, the German movie market posted significant year-on-year increases in revenues and audience figures, with German films achieving a market share of 33 % of viewers. Two new releases from the Constantin Film Group also played their part here. Overall, the Constantin Film Group secured a market share of 5.2 % in terms of audience figures with a total of three films. The Sönke Wortmann comedy “Frau Müller muss weg” proved to be a surprise hit, attracting more than a million moviegoers. Another strong performer was the young people’s film “The Famous Five 4”, which is still doing well in theaters and has sold more than 980,000 tickets to date.

In the home entertainment business area, the Highlight Group again benefited from attractive new releases under the Constantin Film label as well as high-selling secondary market releases. Big sellers in the first quarter of 2015 particularly included the licensed title “Step Up: All In” and the ongoing success “Fack Ju Göhte”.

At the end of March 2015, the TEAM Group achieved the performance targets agreed with UEFA 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 respectively). On the back of this success, a new agency agreement was signed between the two parties. This agreement covers global marketing of UEFA’s club competitions for the 2018/19 to 2020/21 seasons, and is also valid for a further three seasons (2021/22 to 2023/24), subject to appropriate performance.

In the first quarter, the financial figures of Highlight Communications AG were hit hard by the Swiss National Bank’s decision on January 15, 2015, to remove the currency peg between the Swiss franc and the euro and the cap of 1.20 EUR/CHF. On the reporting date of December 31, 2014, the exchange rate was 1.21 EUR/CHF, and on March 31, 2015, it was 1.04 EUR/CHF, meaning that the Swiss franc strengthened by around 14 percentage points against the euro.

At CHF 64.3 million, consolidated sales for the first three months were down on the corresponding figure for the previous year (CHF 125.7 million), as expected. The decrease mainly stemmed from the decline in external sales in the Film segment, as no international Constantin Film productions were released in the first quarter of 2015, in contrast to the previous year. Accordingly, consolidated operating expenses fell by CHF 62.3 million to CHF 74.9 million, and EBIT rose to CHF 5.0 million – a fivefold increase on the first quarter of 2014 (CHF 0.9 million).

Consolidated net profit for the period of CHF 0.6 million (previous year’s period: CHF 1.0 million) was down slightly, with earnings attributable to Highlight shareholders remaining constant at CHF 0.7 million. In relation to the average number of shares in circulation, this corresponds to earnings per share of CHF 0.02 (previous year’s period: CHF 0.02).

The fact that the positive EBIT development was not reflected in the net profit for the period is largely due to currency effects. Financial expenses of CHF –5.96 million were mainly caused by the changes in accounts receivable and foreign currency reserves due to the sharp appreciation of the Swiss franc against the euro.

In the period from January to March 2015, the Film segment generated external sales of CHF 52.0 million, down CHF 60.7 million on the same period of the previous year (CHF 112.7 million). At the same time, segment expenses fell by CHF 62.2 million to CHF 65.3 million. Segment earnings improved by CHF 2.0 million to CHF –0.5 million.

In the Sports- and Event-Marketing segment, external sales of CHF 11.3 million were generated in the quarter under review, CHF 1.1 million less than in the same quarter of the previous year (CHF 12.4 million). This decrease was more than offset by a CHF 2.8 million rise in other income to CHF 2.9 million. Consequently, at CHF 6.8 million, segment earnings were up on the corresponding figure for the previous year (CHF 5.4 million).

The activities of Highlight Event AG initially focused on the successful commercial handling of the 2015 New Year's Day Concert of the Vienna Philharmonic Orchestra. This traditional event was broadcast in more than 80 countries, once again emphasizing its prominence as the world's biggest classical music event. Other focal points were the preparations for the Vienna Philharmonic Orchestra's Summer Night Concert and the 2015 Eurovision Song Contest, which will be held from May 19 to 23 in Vienna.

External sales of the Other Business Activities segment rose slightly from CHF 0.7 million to CHF 1.0 million, while segment expenses decreased from CHF 1.5 million to CHF 1.4 million. The segment loss that again resulted from online/social gaming was therefore reduced from CHF 0.7 million to CHF 0.4 million.

In the theatrical distribution business area, the Constantin Film Group has planned three movie releases for the current quarter: the fantasy film "Mara und der Feuerbringer" (released on April 2), the sequel "Ostwind 2" (released on May 14) and the comedy "Abschussfahrt" (theatrical release: May 21). As in previous years, the distribution focus will be in the third and fourth quarters. Films including the international co-production "Fantastic Four", part 2 of "Fack Ju Göhte" and the adaptation of the novel "Er ist wieder da" will reach German movie theaters in this period.

For 2015 as a whole, we continue to expect consolidated sales of CHF 310 million to CHF 330 million and a consolidated net profit for the period attributable to shareholders of CHF 14 million to CHF 16 million.

HIGHLIGHT STOCK

Development of the capital markets

In the first quarter of 2015, the development of the international stock markets was particularly influenced by the contrasting policies of the central banks on either side of the Atlantic. While the US Federal Reserve ended its bond-buying program in 2014 and gradually prepared market participants for a first increase in base rates, the European Central Bank (ECB) and the Bank of Japan continued to pursue an ultra-expansive monetary policy. For instance, in mid-January, the ECB announced a quantitative easing program, running from March 2015 to September 2016 and aimed at purchasing euro bonds with a total value of EUR 60 billion per month.

Against this background, several European benchmark indices reached new record highs, while their US counterparts virtually stood still. The Dow Jones Industrial Average Index, for example, lost 0.3 % in the first three months of the current year and closed on March 31, 2015 at 17,776 points. In contrast, the Japanese Nikkei 225 broke the 19,000-point barrier for the first time since 2000. Closing at 19,207 points, it achieved a rise of 10.1 % in the first quarter of 2015.

The German stock market performed even more impressively, benefiting to a great extent from the ECB's announcement. During the quarter, the DAX benchmark index hit an all-time high of 12,219. It ended the quarter at 11,966 points, an increase of 22.0 %. Similarly strong performances were posted by the SDAX small cap index, which rose by 17.1 % to 8,417 points, and the index for German media stocks (DAXsector Media), which gained 20.9 %, closing at 423 points.

In contrast, the performance of the Swiss Market Index (SMI) was marked by the unforeseen decision of the Swiss National Bank to cancel the minimum exchange rate of 1.20 Swiss francs relative to the euro with effect from January 15, 2015. Immediately after this announcement, share prices collapsed by around 15 %, although they recovered by the end of March, meaning that the SMI ended the quarter up slightly by 1.6 % at 9,129 points.

Performance of Highlight stock in the first quarter of 2015

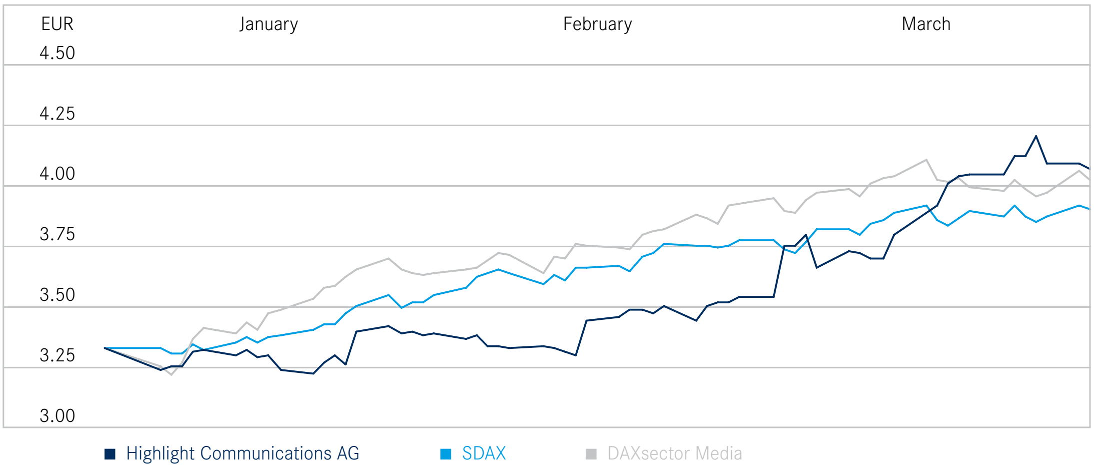
Having started the new year on the stock market at a closing price of EUR 3.33, the performance of Highlight stock was defined by a slight downward trend in the first three weeks of trading. In this phase, the price reached its lowest closing price for the year to date of EUR 3.22 on January 19. In the subsequent recovery phase, the price gradually picked up, reaching a level of EUR 3.54 at the end of February.

Following the ad-hoc publication of our highly positive preliminary figures for fiscal year 2014 on March 2, 2015, the share price rose sharply, peaking at EUR 4.21. On March 31, Highlight stock closed Xetra trading at EUR 4.07, having gained 22.2 % in the first three months of this year. As of the end of the quarter, the 52-week high was EUR 4.24 (March 27, 2015) while the 52-week low was EUR 2.97 (October 29, 2014).

In the period from January to March 2015, a total of 1.10 million Highlight shares were traded on Deutsche Börse AG's Xetra trading system – corresponding to an average of around 17,800 shares per trading day. Compared to the first quarter of 2014 (around 22,300 shares per trading day), trading in the company's shares was therefore 20.2 % lower. In Deutsche Börse AG's trading volume ranking for the segments below the DAX, Highlight stock was consequently placed 127th as of March 31, 2015 (end of 2014: 126th). It ranked 116th (end of 2014: 117th) in terms of free float market capitalization.

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

Indices indexed at Highlight closing price as of December 31, 2014 for comparison.



Subscribed capital and shareholder structure

As of March 31, 2015, the subscribed capital of Highlight Communications AG still amounted to CHF 47.25 million, divided into 47.25 million bearer shares each with a nominal value of CHF 1.00. There were no treasury stock transactions in the period under review, and therefore the number of treasury shares without voting rights was still around 2.82 million as of the end of the quarter. These account for 5.96 % of the subscribed capital. Not including these shares, there were 44.43 million shares in circulation.

There were also no changes in the shareholder structure of our company in the period under review. Constantin Medien AG holds 52.39 % of Highlight's shares. Further significant share packages are held by members of the Board of Directors as well as private and institutional investors. As of March 31, 2015, the free float amounted to 41.65 % as per Deutsche Börse AG's index weighting.

Investor relations activities

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

However, our website (www.highlight-communications.ch) is still the main information tool for all interested parties. Based on the principle of fair disclosure, all relevant information on the company is published there in a timely manner. This primarily relates to our press releases and ad-hoc disclosures, as well as our annual and interim reports, which can either be read online or requested from us in printed form free of charge at any time. The dates for the most important publications and events have been clearly compiled in our financial calendar.

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

Oddo Seydler	Rating: Buy	Price target: EUR 5.50
DZ BANK	Rating: Buy	Price target: EUR 5.40

Information on Highlight stock as of March 31, 2015

ISIN/ticker	CH 000 653 9198/HLG
Index	DAXsector Media
Closing price	EUR 4.07
52-week high	EUR 4.24
52-week low	EUR 2.97
Subscribed capital	CHF 47.25 million
Shares in circulation	44.43 million
Market capitalization (in relation to shares in circulation)	EUR 180.8 million

Directors' dealings/shareholdings of executive bodies as of March 31, 2015

In February 2015, the member of the Board of Directors Dr. Erwin V. Conradi acquired 6,000 Highlight shares and thus increased his holding to 206,000 shares. In March 2015, the member of the Board of Directors Dr. Dieter Hahn acquired a total of 1,478,802 shares and thus increased his holding to 1,499,802 Highlight shares. We did not receive any notifications from the other members of the Board of Directors or the Group management concerning acquisitions or disposals subject to reporting in the period under review.

As of the end of the first quarter of 2015, the Chairman and Delegate of the Board of Directors Bernhard Burgener as well as the Board of Directors members René Camenzind and Dr. Dieter Hahn each held direct or indirect shareholdings in Highlight amounting to more than 1 % of the subscribed capital. The shareholdings and share interest from options of the individual members of the Board of Directors and the Group management (including related parties) were as follows as of March 31, 2015:

Board of Directors	Share-holdings	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	206,000	–
Dr. Dieter Hahn, non-executive member	1,499,802	–
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

BASIC INFORMATION ON THE GROUP

Group structure and operating activities

Highlight Communications AG, listed on the Frankfurt stock exchange since May 1999, is an internationally oriented strategic and financial holding company based in Pratteln near Basel. It acts through its operational subsidiaries in the Film, Sports- and Event-Marketing and Other Business Activities segments.

As of March 31, 2015, Group structure, operating activities and the segments' main sources of financing correspond to the presentation provided in the report on the Highlight Group's situation in the annual report 2014 (see annual report 2014, page 40f).

Control system and performance indicators

Group management

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 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. Management of all activities within the Highlight Group is based on short-term and medium-term planning as well as regular reporting.

Financial performance indicators

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.

Non-financial performance indicators

The economic performance of the Group is also influenced by non-financial performance indicators, which result from the specific requirements of the respective business model in the Film, Sports- and Event-Marketing and Other Business Activities segments.

Compared to the presentation in the report on the Highlight Group's situation in the annual report 2014, there were no changes with regard to the non-financial performance indicators in the different segments.

Legal influencing factors

Highlight Communications AG has to comply with a large number of stock-market rules and statutory regulations. As a stock corporation under Swiss law, it follows the Codes of Best Practice of the SIX Swiss Exchange as well as the regulations of the Frankfurt stock exchange for the regulated market (Prime Standard). The operating activities of the Highlight subsidiaries and equity interests are conducted in accordance with a large number of media, data protection, copyright and regulatory requirements.

In comparison to the presentation in the report on the Highlight Group's situation in the annual report 2014 of Highlight Communications AG, the following changes have occurred with regard to the legal influencing factors in the Film segment:

German movie production – such as that of the Constantin Film Group – depends on subsidies. Although the budget of the German Federal Film Fund (DFFF) has been enshrined permanently after being reduced to EUR 50 million, there remains the problem of the subsidy cap as well as the calculation basis (currently 80 % of the budget), which other European countries (e.g. the UK) are trying to abolish so that 100 % of the budget can be applied to the calculation.

In addition, the Film Promotion Act is set to be amended. One of the suggested areas of improvement is to make the subsidy system fit for the challenges of digitization. Digital exploiters headquartered outside Germany should pay their solidarity contribution to film grants. The same applies to Internet providers.

Mainly as a result of the licensing policy of major international firms such as Amazon, Google and Microsoft, the European Commission is currently discussing a change to copyright law aimed at lifting the territorial restriction of license rights. A broad coalition of rights holders, producers, exploiters and creative artists have spoken out against these plans. For example, the German Producers Alliance has argued that the principle of territoriality is an essential requirement for successful marketing and therefore the profitability and financial viability of film productions. Abolishing this principle would impair the implementation of customized (necessary) distribution strategies.

Market research and development

Compared to the presentation in the report on the Highlight Group's situation in the annual report 2014 of Highlight Communications AG, there were no changes with regard to the market research and development activities of the companies in the different segments.

REPORT ON BUSINESS PERFORMANCE AND THE SITUATION IN THE FILM SEGMENT

Sector-specific situation

Theatrical production/acquisition of rights

Against the backdrop of the ongoing debates on lifting the territorial restriction of license rights at European level, licensing strategies and financing models (grants etc.) could be regarded as particularly at risk.

In rights acquisition and license trading, supply and demand for high-quality licensed product at the Berlinale were generally weak, although it is still too early in the year to draw conclusions from this. Opportunities to conclude corresponding exploitation agreements are now more the exception than the rule.

Theatrical distribution

The German movie market has made a very successful start to 2015. With major blockbusters and an excellent genre mix of US productions and German movies, revenues of around EUR 300 million were generated and around 37.2 million tickets sold in the first quarter. Both figures were therefore up by just under 21 % year-on-year. With this substantial increase, sales and audience figures reached their highest level for five years in the first quarter of 2015.

This success was driven by the Til Schweiger road comedy "Honig im Kopf", launched at the end of December 2014, which attracted around 5.56 million viewers in the first three months of this year. Another impressive performer was the erotic drama "Fifty Shades of Grey", which became the best new release of this year with 4.26 million moviegoers. In addition to these two exceptional performers, seven more (national and international) productions generated audiences of more than a million.

The list of the most-watched German new releases this year is headed by the comedy "Traumfrauen" with around 1.56 million moviegoers, followed by the Constantin Film co-productions "Frau Müller muss weg" (around 1.04 million) and "The Famous Five 4" (around 840,000). Based on these hit movies, the market share of German films in terms of viewers stood at 33 % after the first three months of 2015.

Revenues on the US movie market rose by 4 % in the first quarter. Five films broke the USD 100 million barrier at the box office in this period: "American Sniper" (USD 345 million), "Fifty Shades of Grey" (USD 165 million), "The SpongeBob Movie: Sponge Out of Water" (USD 160 million), "Cinderella" (USD 157 million) and "Kingsman: The Secret Service" (USD 120 million).

Home entertainment

In the first two months of 2015*), the German home entertainment sector failed to reach the level of the previous year, posting total market revenues of EUR 250 million, a decrease of around 5 % compared with the prior-year figure (EUR 263 million).

The decline in revenues mainly resulted from the muted performance of the sell-through market, which generated EUR 195 million, down 7 % on the previous year's level (EUR 209 million). By contrast, the video rental market posted a slight increase to EUR 55 million compared with the first two months of 2014 (EUR 54 million). Within the sell-through market, revenues from physical audiovisual media (DVD and Blu-ray) fell from EUR 194 million in the period from January to February 2014 to EUR 177 million. By contrast, electronic sell-through continued to perform positively, rising by 23 % to EUR 18 million (previous year: EUR 15 million).

Consolidation in the video rental market is mainly attributable to the ongoing growth in the digital sector. While revenues from rental of physical media (DVD and Blu-ray) fell by 7 % to EUR 35 million (previous year: EUR 38 million), the digital format transactional video-on-demand (TVoD) saw its revenues increase by 22 % to EUR 20 million (previous year: EUR 16 million). Consequently, digital content now accounts for 15 % of total market revenues, up from 12 % in the same period of 2014.

**) Data for the first quarter of 2015 was not yet available on the editorial closing date.*

License trading/TV exploitation

Free-to-air TV stations are increasingly competing with pay-TV broadcasters, download portals and streaming platforms. As part of this trend, TV consumers are becoming program directors, and can choose what program they want to watch and when. The online video stores now also provide exclusive own productions that are not available at all on traditional TV. However, there are still programs, such as broadcasts of sporting events, for which traditional TV will remain the first choice. In addition, there is the question of how many subscription channels consumers are willing to pay for.

TV service production

The distribution of income from TV service productions is a recurring subject of discussion. During this year's Berlinale, it became clear that there are separate negotiations and agreements on new models of contracts for TV service productions for each area. For instance, negotiations are currently being held with ZDF on documentaries and part-financed service productions, while scripts and direction are being negotiated with ARD. Therefore, there is still no sign of joint or generally applicable remuneration rules.

Operational development

Filming of two theatrical movies underway

Filming of the Constantin Film co-production "Fack Ju Göhte 2", which started back in December 2014, continued in the first quarter of 2015. Directed by Bora Dagtekin, the production features Elyas M'Barek, Karoline Herfurth and Katja Riemann in particular. The film is scheduled for release in German movie theaters on September 10, 2015.

The reporting period also saw the first take of the Rat Pack production "Die Lochis – Bruder vor Luder", in which the YouTube stars Heiko and Roman Lochmann (aka "Die Lochis") make their big-screen debut. The theatrical release of this comedy is planned on December 24, 2015.

First award in 2015

At the Bavarian Film Awards on January 16, 2015, the Constantin Film co-production "Frau Müller muss weg" won the prize for best screenplay. The biting comedy directed by Sönke Wortmann was also a big hit at the box office.

Two movies performing well in theatrical distribution

In the first quarter of 2015, the Constantin Film Group released three movies (two own/co-productions and one licensed title) in German theaters: "Frau Müller muss weg", "The Famous Five 4" and "Enchanted Kingdom". The strong start to the 2015 theatrical year was particularly reflected by the comedy "Frau Müller muss weg", while the youth adventure movie "The Famous Five 4" also delivered sound audience figures.

Consolidation of market position in home entertainment

In the first two months of 2015*), the Highlight Group consolidated its market position on the German-speaking home entertainment market. The product range was particularly bolstered by the new release of the licensed title "Step Up: All In" and the enduringly successful comedy "Fack Ju Göhte".

**) Data for the first quarter of 2015 was not yet available on the editorial closing date.*

Material contracts in license trading/TV exploitation

In the first quarter of 2015, the starts of the initial licenses for films such as "Justin and the Knights of Valour", "The Fifth Estate", "Da geht noch was", "Fack Ju Göhte", "Tarzan", "Pompeii", "The Mortal Instruments: City of Bones", "The Bag Man", "Delivery Man" and "Männerhort" had a positive impact on sales. All these licenses were licensed for the pay-TV stations Sky, Disney and/or Teleclub. In the free-TV sector, other contributions came from the initial licenses for "Step Up Revolution" (ProSiebenSat.1), "Resident Evil: Retribution" (ProSiebenSat.1), "So Undercover" (ProSiebenSat.1) and "Agent Ranjid rettet die Welt" (ZDF).

Further improvement in the order situation in TV service production

After years of contracting and dwindling orders, the situation on the German TV service production market that was apparent last year has continued to ease in the first quarter of 2015, resulting in numerous service productions for the subsidiaries of Constantin Film AG.

Constantin Entertainment GmbH has further strengthened its market position as one of the leading German TV entertainment producers. Other notable achievements include gaining further daily formats and securing orders for follow-up seasons of its existing daily projects for 2015. These primarily include the projects "Schicksale" (Sat.1), "Im Namen der Gerechtigkeit" (Sat.1), "In Gefahr – Ein verhängnisvoller Moment" (Sat.1) and "Shopping Queen" (Vox). One new addition is the daily show "Richter Martin Lauppe – Menschen vor Gericht", which Constantin Entertainment will make for RTL, and of which 46 episodes have been initially commissioned.

The subsidiaries of Constantin Entertainment GmbH are also producing successful formats for major TV stations outside Germany in 2015, including the cooking show "Game of Chefs" and the improvisation comedy "Friday" for the Israeli broadcaster Reshet.

On behalf of ZDF, Moovie GmbH filmed the thriller "Ein verhängnisvolles Angebot" in the reporting period. A broadcast date for this film has not yet been set. Rat Pack Filmproduktion GmbH made "Kalkofes Mattscheibe 5 – Rekalked" with Oliver Kalkofe for Tele 5 on an ongoing basis in the first quarter of 2015.

Analysis of non-financial performance indicators

Continuous optimization of consistently high quality of in-house productions and license purchases

In order to ensure the high quality of national and international in-house productions and purchased licensed titles in the future, the Constantin Film Group continues to focus on titles that are strongly geared towards the audience's requirements and a clearly defined target group as well as being based on specific brands, for example. The specialist expertise of producers, employees and business partners as well as a highly developed network of contacts with the creative community in Germany and abroad are essential factors in a successful production slate. In addition to commercial success, the combination of these factors is expressed by the numerous awards to the Constantin Film Group.

Two Constantin Film productions in the top ten of the German movie charts

In the theatrical distribution business area, the Constantin Film Group had two films in the top ten of the German movie charts in the first quarter of 2015. Third place went to the surprise comedy hit "Frau Müller muss weg", released in January, which attracted more than a million moviegoers in the first three months. In fifth place was the youth adventure movie "The Famous Five 4", which is still in the initial exploitation stage. To date, more than 980,000 people have been to see this Constantin Film co-production, so the one-million audience mark is in sight.

Including the performance of all movies, which were screened in German theaters in the first quarter of 2015, the Constantin Film Group achieved a market share of 5.2 % by audience figures. It therefore came seventh in the distributor rankings behind Warner, Universal, Fox, Disney, Studiocanal and Universum.

Slight decline in market share in the German video sell-through market

In home entertainment, on the basis of an attractive line-up and a host of high-selling secondary market releases, the Highlight Group achieved a joint market share of 8 % (same period of 2014: 10 %) on the German video sell-through market in January and February 2015*) in collaboration with its distribution partner Paramount Home Entertainment.

**) Data for the first quarter of 2015 was not yet available on the editorial closing date.*

Convincing ratings in TV exploitation

In license trading/TV exploitation, strong reach and market share figures were achieved and expectations were fulfilled in the first quarter of 2015. For instance, the Sat.1 broadcast of "Wickie and the Treasure of the Gods" on January 24 was watched by 2.3 million viewers, equating to a market share of 7.3 % of the total audience. On RTL on January 1, 2015, the Mario Barth comedy "Männersache" attracted 1.47 million viewers, 6.8 % of the overall market.

Further high ratings in TV service production

Pleasing viewing figures in the double-digit percentage range were again achieved in TV service production in the first quarter of 2015, for television plays as well as series, in line with expectations. This success is a key factor in follow-up commissions.

The series "Schuld", an adaptation of the novel by Ferdinand von Schirach made by Moovie GmbH on behalf of ZDF, achieved numerous high ratings in the double-digit percentage range on its first airing in February and March 2015. For instance, the episode "Der Andere" on February 20 was watched by 4.22 million viewers, 13.3 % of the overall market.

On January 23, 2015, 3.69 million viewers watched the romantic comedy "Drunter und Brüder", produced by Olga Film GmbH for ARD. This equated to 11.6 % of the overall market.

Constantin Entertainment GmbH reached a wide audience and achieved pleasing double-digit market shares with the daily shows "Schicksale" and "In Gefahr – Ein verhängnisvoller Moment" as well as the comedy show "Mario Barth deckt auf!". In other European countries, the Bulgarian subsidiary of Constantin Entertainment GmbH achieved a market share of almost 50 % with the cookery show "Master Chef".

REPORT ON BUSINESS PERFORMANCE AND THE SITUATION IN THE SPORTS- AND EVENT-MARKETING SEGMENT

Sector-specific situation

The trend towards significant price rises in the sale and purchase of premium sports broadcasting rights is continuing and shows no sign of abating. One good example is the national live broadcasting rights to the English Premier League for the 2016/17 to 2018/19 seasons, which were sold in February 2015 for a total of GBP 5.136 billion (= EUR 6.9 billion). This is a 70 % increase on the license prices for the 2013/14 to 2015/16 seasons. The price for the rights to that period itself already represented an increase of just under 70 %.

In the sale process, the pay-TV provider BSkyB asserted its position as the main broadcaster for live broadcasts of Premier League matches, purchasing five of the seven rights packages, while the two remaining packages went to its national competitor BT Sport. These rights are of crucial importance to the success of both BSkyB and BT Sport, as the two companies are direct competitors in various areas (pay-TV, broadband Internet, telephone and mobile network access) in UK households. According to TV Sports Market Global Report 2015, with these contracts, the Premier League has now overtaken the US Major League Baseball (MLB), and is the world's second most valuable package of sports broadcasting, directly behind the US National Football League (NFL).

Operational development

Extension of TEAM's mandate to market UEFA's club competitions

In the first quarter of 2015, the TEAM Group secured further major deals 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 respectively), covering TV rights as well as sponsorship rights. One example is the contract with the Japanese electronics group Sony, which is set to continue its commitment as a UEFA Champions League sponsor for three more seasons.

On March 27, 2015, it was announced that TEAM had met the required performance criteria under its existing club competition agency agreements with UEFA, and a new agency agreement had been concluded between the two parties. With this agreement, TEAM will continue to act as UEFA's exclusive agent for the worldwide marketing of the media, sponsorship and licensing rights relating to the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup for an extended term. New regulations for fixed and performance-related agency fees were established in this context. The term of the new agency agreement covers UEFA club competitions from the 2015/16 season to the end of the 2020/21 season and, subject to TEAM's ongoing performance, will also include seasons 2021/22 to 2023/24.

Finals approaching

In the reporting period, in operational terms, TEAM focused on active support for the commercial partners in the knockout rounds of the two competitions. Once again, the many attractive and exciting matches thrilled millions of viewers who followed the action either in the stadiums or live on TV. In addition, preparations were already underway for the finals on May 27 in Warsaw (UEFA Europa League) and June 6 in Berlin (UEFA Champions League), with which TEAM will assist the commercial partners of UEFA.

Analysis of non-financial performance indicators

Marketing enhanced by intensive relationships and longstanding expertise

Because the TEAM Group has been marketing the UEFA Champions League since the competition was first staged in the 1992/93 season, it has an intensive network of relationships with TV broadcasters and sponsors that has been built up over the years. These close, trusting relationships with the licensees and the company's longstanding market expertise are also beneficial to TEAM in the current marketing process for the 2015/16 to 2017/18 seasons.

REPORT ON BUSINESS PERFORMANCE AND THE SITUATION IN THE OTHER BUSINESS ACTIVITIES SEGMENT

Sector-specific situation

Event and entertainment business

Music events remain highly attractive to sponsors. In Germany alone, companies invested a total of EUR 27 million in 2014 in order to set their brand messages in the special atmosphere of music events. This is a 29 % increase on the previous year. Brewers were among the biggest spenders last year, accounting for 21 % of the total volume. The second-largest sponsor was the financial services sector with a share of 14 %, followed by automobile companies, who made up 13 %.

Operational development

Focus on major musical events

In the reporting period, the activities of Highlight Event AG initially focused on the successful commercial handling of the 2015 New Year's Day Concert of the Vienna Philharmonic Orchestra, which was conducted for the fifth time by the renowned conductor and honorary member of the orchestra Zubin Mehta.

Preparations for the Eurovision Song Contest were also well underway. This year's contest – the 60th – will be held from May 19 (first semifinal) to May 23 (final) in the Austrian capital Vienna. The Vienna Philharmonic Orchestra's Summer Night Concert was also in the preparation phase. It was held on May 14 in the Schönbrunn palace garden and also conducted by Zubin Mehta.

Analysis of non-financial performance indicators

New Year's Day Concert broadcast worldwide

As a result of Highlight Event AG's intensive marketing activities, the Vienna Philharmonic Orchestra's 2015 New Year's Day Concert was again broadcast – either live or with a time delay – in more than 80 countries worldwide. With this international reach, the event once more emphasized its position as the biggest classical music event by far.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL SITUATION OF THE HIGHLIGHT GROUP

Results of Group operations

In the period from January to March 2015, the Highlight Group generated consolidated sales of CHF 64.3 million – a decrease of CHF 61.4 million or 48.8 % as against the same period of the previous year (CHF 125.7 million) resulting from the Film segment. Capitalized film production costs and other own work capitalized remained almost constant at CHF 7.7 million (previous year's period: CHF 7.8 million), with the result that total output fell from CHF 133.5 million to CHF 72.0 million. Other operating income increased by CHF 3.3 million to CHF 7.9 million (previous year's period: CHF 4.6 million).

Consolidated operating expenses fell by CHF 62.3 million or 45.4 % to CHF 74.9 million compared to CHF 137.2 million in the first three months of 2014. The decrease was mainly due to amortization, depreciation and impairment, which fell by CHF 53.1 million to CHF 12.1 million (previous year's period: CHF 65.2 million). Due to productions, the cost of materials and licenses was down CHF 6.5 million to CHF 25.5 million, while personnel expenses at CHF 21.9 million were slightly below the level of the previous year's period (CHF 23.0 million). The same applies to other operating expenses, which were down slightly at CHF 15.5 million (previous year's period: CHF 16.9 million).

As the overall decrease in consolidated operating expenses was more substantial than the decline in sales, EBIT improved to CHF 5.0 million. It was therefore more than five times higher than in the first quarter of 2014 (CHF 0.9 million). Accordingly, the EBIT margin rose from 0.7 % in the first three months of the previous year to the current level of 7.7 %.

At CHF –4.5 million, the financial result was down CHF 4.6 million on the equivalent figure for the previous year (CHF 0.1 million). This decrease is primarily attributable to currency effects. Financial income declined by CHF 0.9 million to CHF 1.5 million while financial expenses increased by CHF 3.8 million to CHF 6.0 million.

After deducting tax expenses (income taxes and deferred taxes) of CHF 0.6 million (previous year's period: CHF 0.1 million), the Highlight Group is reporting a consolidated net profit for the period of CHF 0.6 million for the first three months of the current fiscal year (previous year's period: CHF 1.0 million). Of this result, a loss of TCHF 59 (previous year's period: profit of TCHF 353) is attributable to non-controlling interests. Earnings attributable to Highlight shareholders therefore remained constant at CHF 0.7 million, resulting in earnings per share of CHF 0.02 for the first quarter of 2015 as well as the first quarter of 2014.

Results of segment operations

External sales in the Film segment totaled CHF 52.0 million in the reporting period, down CHF 60.7 million on the same period of the previous year (CHF 112.7 million). This decrease is primarily due to the theatrical distribution and license trading areas, which benefited from high proceeds from minimum guarantees on the basis of the global theatrical release of the Constantin Film own production "Pompeii" in the first quarter of 2014. As no international productions were released in the first three months of the current year, this income was no longer accrued.

The same applies to the cost side, which was dominated by the amortization of the capitalized production costs of the film "Pompeii" and impairments on the CGI film "Tarzan" in the first quarter of 2014. Accordingly, segment expenses were reduced significantly by CHF 62.2 million to CHF 65.3 million in the reporting period (previous year's period: CHF 127.5 million). Consequently, segment earnings improved by CHF 2.0 million to CHF –0.5 million (previous year's period: CHF –2.5 million).

The Sports- and Event-Marketing segment generated external sales of CHF 11.3 million – down CHF 1.1 million on the first quarter of 2014 (CHF 12.4 million). By contrast, other income rose sharply by CHF 2.8 million to CHF 2.9 million (previous year's period: CHF 0.1 million), while segment expenses increased from CHF 7.1 million to CHF 7.3 million. Accordingly, at CHF 6.8 million, segment earnings were up CHF 1.4 million on the equivalent figure for the previous year (CHF 5.4 million).

External sales in the Other Business Activities segment rose slightly by CHF 0.3 million to CHF 1.0 million (previous year's period: CHF 0.7 million), while other income was down on the previous year's figure of TCHF 246 at TCHF 39. After deducting segment expenses of CHF 1.4 million (previous year's period: CHF 1.5 million), the segment posted a loss of CHF 0.4 million (previous year's period: CHF 0.7 million) for the first quarter of 2015, which again resulted from the online/social gaming area.

The costs of holding activities fell slightly by CHF 0.3 million to CHF 1.0 million compared with the equivalent figure for the previous year (CHF 1.3 million).

Net assets situation

As of March 31, 2015, the Highlight Group's total assets amounted to CHF 421.5 million, up CHF 59.9 million compared to the end of 2014 (CHF 361.6 million). On the assets side of the balance sheet, this increase resulted from the rise in current assets by CHF 85.8 million to CHF 248.0 million (December 31, 2014: CHF 162.2 million). Cash and cash equivalents rose sharply here by CHF 99.5 million to CHF 144.3 million. This increase is due in particular to advance payments received in the Sports- and Event-Marketing segment. In connection with the extension of the TEAM marketing mandate and the revision of the contract, new regulations for fixed and performance-related agency fees were established and an advance payment on the fixed fees for the next three years was made by UEFA. By contrast, trade accounts receivable and other receivables due from third parties fell by CHF 12.2 million to CHF 83.2 million. The same applies to receivables due from associated companies and joint ventures, which were down CHF 3.3 million to CHF 0.1 million.

Non-current assets declined by a total of CHF 25.8 million to CHF 173.5 million (December 31, 2014: CHF 199.3 million). This development is largely due to film assets, the value of which stood at CHF 135.7 million at the end of first quarter of 2015 – CHF 24.7 million less than on December 31, 2014 (CHF 160.4 million). CHF 100.4 million of this total related to in-house productions (December 31, 2014: CHF 119.3 million) and CHF 35.3 million to third-party productions (December 31, 2014: CHF 41.1 million). The decrease in both areas largely stems from the lower exchange rate between the euro and the Swiss franc at the end of the reporting period.

In particular, significant increases on the equity and liabilities side of the balance sheet related to non-current and current advance payments received (primarily from UEFA), which rose by a total of CHF 86.2 million to CHF 140.3 million. By contrast, financial liabilities fell by CHF 5.4 million to CHF 75.9 million and income tax liabilities by CHF 4.3 million to CHF 4.0 million. In addition, trade accounts payable and other liabilities due to third parties fell by CHF 2.4 million to CHF 86.9 million.

Consolidated equity (including non-controlling interests) was down CHF 13.4 million at CHF 93.5 million as against the end of 2014 (CHF 106.9 million). This decrease is primarily due to currency translation differences of CHF 13.0 million resulting from the translation of the equity of those subsidiaries whose functional currency is not the Swiss franc.

Consequently, the notional equity ratio fell to 22.2 %, having stood at 29.6 % at the end of 2014. By contrast, the adjusted equity ratio (after netting cash and cash equivalents against financial liabilities and advance payments received against film assets) improved by just under 4 percentage points to 44.5 % (December 31, 2014: 40.7 %).

Financial situation

As of March 31, 2015, the Highlight Group had cash and cash equivalents of CHF 144.3 million – CHF 99.5 million more than on December 31, 2014 (CHF 44.8 million). At the same time, financial liabilities were reduced by CHF 5.4 million to CHF 75.9 million (December 31, 2014: CHF 81.3 million), resulting in net liquidity of CHF 68.4 million at the end of the first quarter (December 31, 2014: net debt of CHF 36.5 million).

In the first three months of the current fiscal year, net cash from operating activities amounted to CHF 110.4 million, which equates to a sizeable CHF 54.2 million increase compared with the corresponding figure for the previous year (CHF 56.2 million). This development primarily resulted from changes in net working capital.

The Highlight Group's investing activities used cash totaling CHF 6.8 million in the reporting period (previous year's period: CHF 20.9 million). The decline is largely due to the considerably lower level of payments for film assets, which totaled CHF 7.1 million in the first quarter of 2015 compared with CHF 19.7 million in the previous year's period.

In the first quarter of 2015, financing activities resulted in a cash outflow of CHF 2.1 million (previous year's period: CHF 30.8 million), which is largely due to the net repayment of current financial liabilities of CHF 1.3 million (previous year's period: CHF 30.7 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 March 31, 2015, the Highlight Group had a total of 1,033 employees (March 31, 2014: 879). This figure includes employees on non-permanent, project-related contracts.

EVENTS AFTER THE REPORTING PERIOD

At the beginning of April 2015, the Constantin Film Group was awarded the "Golden Industry Tiger" in the distribution category for the eleventh time in a row when the German Federal Film Board awarded reference funding for 2014. It came third in the production category. This award comes with reference funding of around EUR 544,000 million for distribution as well as funding of around EUR 582,000 million for production.

At this year's New York Festivals World's Best TV & Films, the Moovie TV production "Das Zeugenhaus" won a coveted gold medal in the "Television – TV Movie" category in mid-April. The jury of this competition, which has been held since 1957, comprises more than 200 award-winning directors, producers, authors, actors, journalists and creative media professionals from all over the world.

At the Romy award ceremony – the top awards for film and TV productions in Austria – the Constantin Film co-production “Frau Müller muss weg” won the prize in the “Best Feature Film” category on April 23, 2015, beating the Til Schweiger blockbuster “Honig im Kopf”.

On April 28, 2015, Highlight Communications AG increased its shareholding in Highlight Event & Entertainment AG, which was already fully consolidated, from 71.93 % to 74.99 %.

REPORT ON RISKS AND OPPORTUNITIES

Risk management system

Entrepreneurial action and taking advantage of opportunities is always associated with risks. To protect the existence of the Highlight Group as a going concern, and to support the company in achieving its goals, an integrated, company-wide risk management system (RMS) has been implemented.

The Highlight Group’s RMS comprises risks and opportunities in equal measure. In line with the decentralized Group structure, operational responsibility for dealing with risks lies with the respective risk officers. These are mainly the directors and committee members, and the managing directors and department managers of the individual subsidiaries. The factors underlying the risks and opportunities are identified and assessed on a quarterly basis and approved by the risk officers. At the level of Highlight Communications AG, the reported factors are consolidated, categorized uniformly where appropriate, and assessed at Group level. Potential risks to the company as a going concern are required to be reported immediately.

A detailed description of the RMS can be found in the report on risks and opportunities in the annual report 2014 of Highlight Communications AG. The same applies to the individual opportunities and risks and the description of the internal control system in relation to the Highlight Group’s accounting process.

Significant changes in risks and opportunities in the reporting period

The Highlight Group’s risk and opportunity profile for the coming months after the first three months of 2015 generally corresponds to the assessments contained in the consolidated financial statements as of December 31, 2014. A detailed presentation of the business risks can be found in the report on risks and opportunities in the annual report 2014 of Highlight Communications AG.

The following changes arose in the reporting period compared with the risks and opportunities set out in the report on risks and opportunities in the annual report 2014:

The risk “The Highlight Group is exposed to currency risks as part of its operating activities” was classified as a medium risk bearing in mind the effects of the countermeasures. The current assessment of the individual risk factors has now resulted in classification as a significant risk. A comprehensive presentation of the currency risks of Highlight Communications AG is provided in note 8.6, currency risk, of the notes to the consolidated financial statements.

“The Highlight Group sees opportunities in making use of synergies by optimizing internal processes” was listed as one of the opportunities, but was not classified due to the stage of progress of the project. On the basis of the findings gathered in the first identification and assessment phase, this topic is now classified as a significant opportunity.

The assessment of the other existing opportunity and risk factors was updated. Individual expected values resulting from the product of the absolute level of loss and the probability of occurrence changed slightly. However, the effect of the reassessment of factors has not led to any further impact on the classification of individual opportunities and risks. No new opportunities or risks were identified in the reporting period. The current assessment of risk factors by those responsible supports the classification of risks and opportunities provided in the report on risks and opportunities in the annual report 2014 of Highlight Communications AG.

Summary of the risk and opportunity situation

In the opinion of the Group management, the biggest risk factors still relate to regulatory intervention, access to licenses and source material for exploitation as well as anticipation of customers' tastes in film production and future media use. In addition to collaboration with screenwriters, directors and producers at home and abroad and access to attractive source material and licenses, which the Highlight Group can attribute not least to its image and its creative and committed staff, the Group management now considers the greatest opportunities to include the utilization of synergies by optimizing internal processes.

Based on the available information and estimates, particularly for probabilities of occurrence, maximum losses and the effect of the countermeasures taken, the Group management of Highlight Communications AG has come to the conclusion that these factors do not represent a threat to the existence of the Group as a going concern. This applies to the risks both on an individual basis and also in combination, provided the effect of the combined risks can be meaningfully simulated or estimated in another way. The Group management considers the Group to be adequately equipped to deal with the residual risks that are not reduced by countermeasures. It believes that the measures taken keep the risk to an economically acceptable level and considers the Group's risk-bearing capacity to be sufficient.

FORECAST

Compared to the presentation of the sector-specific situation in the forecast of the report on the Highlight Group's situation in the annual report 2014, there were no material changes in the continuing development of the individual markets in the respective segments, with the exception of the following market assessments.

Film segment

Sector-specific situation

In theatrical distribution, the next three quarters offer promising prospects for 2015. Strategically scheduled blockbusters such as "Fast & Furious 7", "Avengers: Age of Ultron", "Mad Max: Fury Road", "Jurassic World", "Ted 2", "Minions", "Fack Ju Göhte 2", "Inside Out", "Er ist wieder da", the James Bond movie "Spectre", "The Hunger Games: Mockingjay, Part 2", "The Good Dinosaur" and "Star Wars: The Force Awakes" give cause for optimism. Familiar brands, attractive films, good stories and popular stars will be the main reasons to go to the movies. In addition, there are no major sporting events in 2015 that could have a negative impact on audience figures.

Video-on-demand services and the associated hardware (smartphones, tablets, smart TVs and networked devices) are playing an increasingly important role in TV service production. Furthermore, 40 million Germans already use streaming services every day.

Focal points in fiscal year 2015

In the theatrical production/rights acquisition business area, Constantin Film AG is still focusing on continuous optimization of the consistently high quality of its national and international in-house productions. The main aim is to produce titles that have a strong emotional link with the audience's requirements and are ideally based on well-known brands and/or have an event nature. Yet productions with smaller budgets and a correspondingly manageable moviegoer risk are attractive if they have a convincing concept. Every project must be measured against high artistic and commercial standards.

As quality matters more than quantity, the Constantin Film Group's production slate can tend to contain fewer individual titles. As before, the focus is geared towards creating a portfolio of strong brands that can be successfully exploited in all relevant movie markets worldwide as per the "Resident Evil" franchise. With this in mind, the Constantin Film Group recently secured the adaptation rights for a wide range of attractive source material.

It is necessary to develop more original ideas and independent brands for future film and TV productions. Overall, the creativity level must continue to be increased with the aim of producing an even more extensive product range for all exploitation formats.

According to current planning, at least ten promising movie projects are in the production pipeline for the next nine months of 2015. Some of the planned theatrical productions are English-language titles that are geared towards the international market. They particularly include “Resident Evil: The Last Days” and “The Secret” in 2015.

Filming started on “Fack Ju Göhte 2” back in December 2014, and Rat Pack Filmproduktion GmbH started shooting of “Die Lochis – Bruder vor Luder” in the first quarter of 2015. Filming of movies including “Schweinskopf al Dente”, “Ego”, “Fukushima” and “Timm Thaler” is scheduled for forthcoming quarters.

In German theatrical distribution, Constantin Film AG is continuing to pursue its proven strategy of combining national and international own and co-productions with a few high-quality third-party productions and releasing these titles in theaters with a suitable press and marketing strategy at a strategically favorable time. In terms of marketing, it applies innovative, cost-efficient concepts that reach the movie-loving target groups. Initial marketing (theatrical exploitation) still plays a key role here, although the downstream exploitation stages – particularly in the case of hit films – will become increasingly important factors in commercial success.

As things stand, the theatrical slate for 2015 contains a total of 12 new releases (including films that have already been released). Apart from two titles, it consists entirely of own and co-productions. In the next few months, these include the national own and co-productions “Ostwind 2”, “Abschussfahrt”, “Fack Ju Göhte 2” and “Er ist wieder da”. The licensed title “Light Between the Oceans” and the international co-production “Fantastic Four” are also planned.

In the home entertainment area, the very strong market share of 2014, which resulted to a considerable extent from the outstanding performance of “Fack Ju Göhte”, cannot be met in the current fiscal year. In 2015, the main impetus in this business area will stem from the new releases of the theatrical hits “Männerhort” and “Step Up: All In”. Further significant sales are expected from the co-production “Fantastic Four” and the young people’s films “The Famous Five 4” and “Ostwind 2”.

In license trading/TV exploitation, free-TV exploitation in the second quarter of 2015 will be dominated mainly by sales from the films “Step Up Revolution”, “Resident Evil: Retribution” and “Agent Ranjid rettet die Welt”. In pay-TV exploitation, the likes of “Irre sind männlich”, “Fack Ju Göhte”, and “Pompeii” will generate sales.

In the TV service production business area, the subsidiaries of Constantin Film AG are constantly working to develop innovative TV formats and expand their contacts with the major TV stations. Creative new developments are particularly in demand. For example, TV series with a consecutive story arc will be developed at both national and international level. In addition, existing brands are to become established in the TV sector. For example, “The Mortal Instruments” will be going into production as early as this May under the title “Shadowhunters” (thirteen 60-minute episodes).

This year, Constantin Film AG expects to see a further 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.

The Constantin Film subsidiaries Olga Film GmbH, Moovie GmbH, Rat Pack Filmproduktion GmbH and Constantin Television GmbH are preparing a host of projects in 2015, including “Die Schweigeminute” (Moovie), “Hotel Sacher” (Moovie), “Die Hebamme 2” (Moovie), “Prenzlberg” (Olga), “Hodscha und die Piepenkötter” (Olga), “Branka Maric” (Constantin Television) and “Kombi” (Constantin Television).

Overall, the strong performance in this area is expected to continue. With its TV service productions as well as TV exploitations of its theatrical productions, the Constantin Film Group will continue to achieve successful viewing figures in the double-digit percentage.

Sports- and Event-Marketing segment

Sector-specific situation

Regarding the development of global advertising expenditure, the media planning and purchasing company ZenithOptimedia forecast a rise of 4.4 % to USD 544 billion for this year in March 2015. This figure is 0.5 percentage points below the forecast of 4.9 % published in December 2014. According to ZenithOptimedia, the main reasons for this lowering are the economic problems in Russia, Ukraine and Belarus as well as the slowdown in the pace of growth in China, which is now so pronounced that relatively small changes in growth have global repercussions.

Focal points in fiscal year 2015

In the current fiscal year, the TEAM Group remains focused on optimum marketing of the remaining TV and sponsorship rights for the UEFA Champions League and the UEFA Europa League for the 2015/16 to 2017/18 seasons. After this, TEAM will concentrate on preparations for the 2018/19 to 2020/21 marketing cycle newly commissioned by UEFA.

Other Business Activities segment

Focal points in fiscal year 2015

In the event and entertainment business, the activities of Highlight Event AG will mainly be geared towards the Vienna Philharmonic Orchestra, as some of the TV and sponsorship rights for this project are also up for renewal for the period from 2018 to 2022. This will involve renegotiating a very large number of agreements. Operations will be focused on successful handling of the events in Vienna (Eurovision Song Contest and Summer Night Concert) as well as the orchestra's special events in Helsinki, Seoul, and Singapore.

Furthermore, online gaming provides the major opportunity of interacting with users, particularly in the globally fast-growing mobile games sector. Accordingly, the activities already implemented are increasingly being expanded.

Financial targets of the Highlight Group

Against this backdrop, we stand by our forecasts for the year of consolidated sales of between CHF 310 million and CHF 330 million and a consolidated net profit for the period attributable to shareholders of CHF 14 million to CHF 16 million.

Please note that actual results can differ significantly from forecast developments if the assumptions on which forward-looking statements are based prove to be inaccurate.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of March 31, 2015 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 MARCH 31, 2015 (unaudited)

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Mar. 31, 2015	Dec. 31, 2014
Non-current assets		
In-house productions	100,343	119,298
Third-party productions	35,312	41,087
Film assets	135,655	160,385
Other intangible assets	875	1,145
Goodwill	16,780	17,492
Property, plant and equipment	4,708	5,112
Investment property	3,900	3,900
Investments in associated companies and joint ventures	472	489
Non-current receivables due from third parties	2,296	1,666
Receivables due from associated companies and joint ventures	2,920	2,971
Other financial assets	1,771	1,802
Deferred tax assets	4,125	4,364
	173,502	199,326
Current assets		
Inventories	5,703	5,152
Trade accounts receivable and other receivables due from third parties	83,240	95,428
Receivables due from related parties	–	6
Receivables due from associated companies and joint ventures	148	3,371
Other financial assets	13,757	13,186
Income tax receivables	888	316
Cash and cash equivalents	144,256	44,773
	247,992	162,232
Total assets	421,494	361,558

The notes on page 29–35 are an integral part of the consolidated interim financial statements.

EQUITY AND LIABILITIES (TCHF)	Mar. 31, 2015	Dec. 31, 2014
Equity		
Subscribed capital	47,250	47,250
Treasury stock	–2,816	–2,816
Capital reserve	–104,801	–104,560
Other reserves	–40,366	–27,836
Retained earnings	184,992	184,494
Equity attributable to shareholders	84,259	96,532
Non-controlling interests	9,232	10,348
	93,491	106,880
Non-current liabilities		
Pension liabilities	11,922	10,674
Advance payments received	62,778	–
Provisions	–	–
Deferred tax liabilities	4,509	5,495
	79,209	16,169
Current liabilities		
Financial liabilities	75,911	81,279
Advance payments received	77,477	54,148
Trade accounts payable and other liabilities due to third parties	86,902	89,278
Liabilities due to related parties	155	137
Liabilities due to associated companies and joint ventures	–	700
Provisions	4,333	4,624
Income tax liabilities	4,016	8,343
	248,794	238,509
Total equity and liabilities	421,494	361,558

The notes on page 29–35 are an integral part of the consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT
JANUARY 1 TO MARCH 31, 2015 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Sales	64,265	125,731
Capitalized film production costs and other own work capitalized	7,689	7,801
Total output	71,954	133,532
Other operating income	7,946	4,603
Costs for licenses, commissions and materials	–4,843	–6,268
Costs for purchased services	–20,615	–25,737
Cost of materials and licenses	–25,458	–32,005
Salaries	–19,006	–20,320
Social security, pension costs	–2,931	–2,683
Personnel expenses	–21,937	–23,003
Amortization and impairment on film assets	–11,321	–64,270
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	–753	–978
Amortization, depreciation and impairment	–12,074	–65,248
Other operating expenses	–15,478	–16,938
Profit from operations	4,953	941
Earnings from investments in associated companies and joint ventures	754	61
Financial income	1,452	2,378
Financial expenses	–5,957	–2,244
Financial result	–4,505	134
Profit before taxes	1,202	1,136
Current taxes	–983	–6,345
Deferred taxes	417	6,239
Taxes	–566	–106
Net profit	636	1,030
thereof shareholders' interests	696	677
thereof non-controlling interests	–59	353

(CHF)	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Earnings per share		
Earnings per share attributable to shareholders, basic	0.02	0.02
Earnings per share attributable to shareholders, diluted	0.02	0.02
Weighted average number of shares (basic)	44,518,000	44,534,350
Weighted average number of shares (diluted)	44,518,000	44,534,350

The notes on page 29–35 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS JANUARY 1 TO MARCH 31, 2015 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Net profit	**636**	**1,030**
Currency translation differences	–13,046	–515
Items that may be reclassified to the income statement in future	**–13,046**	**–515**
Actuarial gains and losses of defined benefit obligation plans	–977	–654
Gains/losses from financial assets at fair value through other comprehensive income/loss	739	–1,054
Items that will not be reclassified to the income statement in future	**–238**	**–1,708**
Other comprehensive income/loss, net of tax	**–13,284**	**–2,223**
Total comprehensive income/loss	**–12,648**	**–1,193**
thereof shareholders' interests	–12,032	–1,487
thereof non-controlling interests	–615	294

The notes on page 29–35 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY JANUARY 1 TO MARCH 31, 2015 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Equity Subscribed capital	 Treasury stock
Balance as of January 1, 2015	47,250	–2,816
Currency translation differences	–	–
Items that may be reclassified to the income statement in future	–	–
Actuarial gains and losses of defined benefit obligation 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	–	–
Purchase of treasury stock	–	–
Sale of treasury stock	–	–
Dividend payments	–	–
Change in non-controlling interests	–	–
Other changes	–	–
Balance as of March 31, 2015	47,250	–2,816
Balance as of January 1, 2014	47,250	–2,716
Currency translation differences	–	–
Items that may be reclassified to the income statement in future	–	–
Actuarial gains and losses of defined benefit obligation 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	–	–
Capital increase	–	–
Purchase of treasury stock	–	–
Sale of treasury stock	–	–
Dividend payments	–	–
Change in non-controlling interests	–	–
Other changes	–	–
Balance as of March 31, 2014	47,250	–2,716

The notes on page 29–35 are an integral part of the consolidated interim financial statements.

attributable to the shareholders					
Captial reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
−104,560	−27,836	184,494	96,532	10,348	106,880
–	−12,530	–	−12,530	−516	−13,046
–	−12,530	–	−12,530	−516	−13,046
–	–	−937	−937	−40	−977
–	–	739	739	–	739
–	–	−198	−198	−40	−238
–	−12,530	−198	−12,728	−556	−13,284
–	–	696	696	−59	636
–	−12,530	498	−12,032	−615	−12,648
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
−241	–	–	−241	−501	−742
–	–	–	–	–	–
−104,801	−40,366	184,992	84,259	9,232	93,490
−104,534	−26,187	182,862	96,675	10,573	107,248
–	−492	–	−492	−23	−515
–	−492	–	−492	−23	−515
–	–	−618	−618	−36	−654
–	–	−1,054	−1,054	–	−1,054
–	–	−1,672	−1,672	−36	−1,708
–	−492	−1,672	−2,164	−59	−2,223
–	–	677	677	353	1,030
–	−492	−995	−1,487	294	−1,193
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	−75	−75
–	–	–	–	–	–
–	–	–	–	–	–
−104,534	−26,679	181,867	95,188	10,792	105,980

CONSOLIDATED STATEMENT OF CASH FLOWS JANUARY 1 TO MARCH 31, 2015 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Net profit	636	1,030
Deferred taxes	–417	–6,239
Current taxes	983	6,345
Financial result (without currency result)	354	807
Earnings from investments in associated companies and joint ventures	–754	–61
Amortization, depreciation and impairment on non-current assets	12,074	65,248
Gain (–)/loss (+) from disposal of non-current assets	20	–
Other non-cash items	14	162
Increase (–)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities	14,233	8,195
Decrease (–)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities	88,505	–15,778
Interest paid	–283	–853
Interest received	40	83
Income taxes paid	–5,120	–2,751
Income taxes received	151	10
Cash flow from operating activities	**110,436**	**56,198**
Change in cash and cash equivalents due to acquisitions of companies/shares in companies (net)	74	–
Payments for intangible assets	–4	–218
Payments for film assets	–7,120	–19,728
Payments for property, plant and equipment	–561	–447
Payments for financial assets	–	–537
Proceeds from/payments for sale of companies/shares in companies, net	724	–
Proceeds from disposal of intangible assets and film assets	37	–
Proceeds from disposal of property, plant and equipment	49	–
Cash flow for investing activities	**–6,801**	**–20,930**
Payment for purchase of non-controlling interests	–816	–
Repayment of current financial liabilities	–1,296	–31,602
Proceeds from receipt of current financial liabilities	7	866
Dividend payments	–	–75
Cash flow for/from financing activities	**–2,105**	**–30,811**
Cash flow for the reporting period	**101,530**	**4,457**
Cash and cash equivalents at the beginning of the reporting period	44,773	44,259
Effects of currency differences	–2,047	–187
Cash and cash equivalents at the end of the reporting period	144,256	48,529
Change in cash and cash equivalents	**101,530**	**4,457**

The notes on page 29–35 are an integral part of the consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2015

Highlight Communications AG, Pratteln

1. General information on the Group

The parent company Highlight Communications AG is based at Netzibodenstrasse 23b, Pratteln, Switzerland.

Highlight Communications AG's Board of Directors authorized the publication of these unaudited, condensed consolidated interim financial statements on May 19, 2015.

2. Accounting and valuation principles

The unaudited, condensed consolidated interim financial statements for the period from January 1 to March 31, 2015 have been prepared in accordance with 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, 2014.

The accounting and valuation policies applied in the consolidated financial statements for fiscal year 2014 remained consistent with those applied in the condensed consolidated interim financial statements (see annual report 2014, 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 have been prepared in Swiss francs, which is the functional and reporting currency of the Group's parent company. In general, the amounts are reported in thousands of Swiss francs (TCHF) unless stated otherwise. For calculation-related reasons, rounding differences of +/– one unit (TCHF) may arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

The Film segment is subject to seasonal fluctuations, as sales depend on the respective theatrical release dates and the subsequent exploitation chain. This leads to fluctuations in terms of sales and segment earnings in the quarters of the fiscal year.

When preparing the condensed consolidated interim financial statements, the management is required to make estimates and assumptions that affect the reported assets, liabilities, contingent liabilities and contingent assets at the balance sheet date, as well as income and expenses of the reporting period. These estimates and assumptions represent the management's best estimate based on historical experience and other factors, including estimates about future events. Estimates and assumptions are reviewed on an ongoing basis. Changes to estimates are required if the circumstances on which they are based have changed or new or additional information has become available. Such changes are recognized in the reporting period in which the estimate is modified. For additional information, please refer to the annual report 2014, notes to the consolidated financial statements, note 5.

3. Changes in accounting principles

The mandatory adoption of the following accounting standards and interpretations had no material effect on these condensed consolidated interim financial statements respectively no material changes are anticipated for the consolidated financial statements as of December 31, 2014.

Standards/amendments/interpretations	Mandatory application for fiscal years starting on or after
Annual IFRS improvement process (2010–2012)*	July 1, 2014
Annual IFRS improvement process (2011-2013)**	July 1, 2014
IAS 19 Employee Benefits – Accounting for Employee Contributions (amendment)	July 1, 2014

* *This specifically relates to the following standards and interpretations: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38.*
** *This specifically relates to the following standards and interpretations: IFRS 1, IFRS 3, IFRS 13, IAS 40.*

Highlight Communications AG waived early adoption of further new and revised standards and interpretations whose mandatory effective date is not yet binding on Highlight Communications AG. For additional information, please refer to the annual report 2014, notes to the consolidated financial statements, note 2.

4. Changes in scope of consolidation

On January 23 and January 30, 2015, Highlight Communications AG gradually increased its shareholding in Highlight Event & Entertainment AG, Lucerne, which was already fully consolidated, from 68.986 % to 71.929 %.

On February 13, 2015, Constantin Film AG sold 90 % of the shares it had previously held in the joint venture Mister Smith Entertainment Ltd., London, which was accounted for using the equity method as of December 31, 2014. The buyer has also assumed the pro-rata assets and liabilities of this company. A 5 % stake in the company has been retained. This will now be accounted for under other non-current financial assets.

Comosa AG, Zurich, was established on March 31, 2015. 50.67 % of the shares are held by Rainbow Home Entertainment AG, and the company is fully consolidated. The effect of this transaction on these consolidated interim financial statements is insignificant.

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

The balance sheet total amounted to TCHF 421,494 as of March 31, 2015 after TCHF 361,558 as of December 31, 2014. While non-current assets declined by TCHF 25,824 in total as a result of a drop in film assets in particular, current assets increased by a total of TCHF 85,760 as of March 31, 2015. The increase in current assets largely results from the TCHF 99,483 increase in cash and cash equivalents, which is primarily attributable to advance payments received from UEFA. This was partly offset by the reduction in trade accounts receivable and other receivables from TCHF 95,428 to TCHF 83,240. On the equity and liabilities side, non-current liabilities and current liabilities increased by TCHF 63,040 and TCHF 10,285 respectively, largely as a result of the advance payments received. In addition, equity was down by TCHF 13,389 at TCHF 93,491.

Film assets

As of March 31, 2015, film assets decreased by TCHF 24,730 compared to December 31, 2014. In-house productions declined by TCHF 18,955 and third-party productions decreased by a total of TCHF 5,775. The decline in film assets largely results from the lower EUR/CHF exchange rate as of the reporting date.

Investment property

The investment property is a property of Highlight Event & Entertainment AG in Düdingen, which is predominantly held for generating rental income. Valuation is performed using the fair value model (see note 6).

Current assets

As against December 31, 2014, current receivables were down by TCHF 15,417 at the end of the reporting period. This is because trade accounts receivable fell by TCHF 11,031 and other receivables by TCHF 1,157, while receivables due from related parties were down by TCHF 6 and receivables from associated companies and joint ventures by TCHF 3,223.

Other current financial assets increased by TCHF 571 to TCHF 13,757. The change is mainly due to the effect of the increase in value of the shares held in Constantin Medien AG, which is shown in the statement of other comprehensive income/loss, as well as the acquisition and sale of other financial assets.

Cash and cash equivalents rose from TCHF 44,773 to TCHF 144,256 as of March 31, 2015. Financing activities resulted in a cash outflow of TCHF 2,105, due mainly to the repayment of financial liabilities. The Group's investing activities used cash of TCHF 6,801, which was essentially due to payments for film assets. Operating activities had a positive cash flow of TCHF 110,436, most of which stemmed from the increase in advance payments received.

Equity

As of March 31, 2015, the number of directly and indirectly held non-voting treasury shares in Highlight Communications AG was 2,815,650 (December 31, 2014: 2,815,650).

Equity fell by TCHF 13,389 from TCHF 106,880 to TCHF 93,491 as of March 31, 2015. The remeasurement of the pension obligation reduced retained earnings by TCHF 977, on account of the drop in the discount rate in particular. The increase in shares in Highlight Event & Entertainment AG also led to a TCHF 241 decrease in the capital reserve and a TCHF 501 decrease in non-controlling interests. The reduction in other reserves of TCHF 12,530 results from the translation of the equity of companies that do not use the Swiss franc as their functional currency. The increase in value of Constantin Medien shares of TCHF 739 recognized in retained earnings and the net profit for the period of TCHF 636 contributed to a positive effect.

Liabilities

While non-current liabilities increased by TCHF 63,040 compared to the end of the year, current liabilities rose by a total of TCHF 10,285. Financial liabilities declined by TCHF 5,368 to TCHF 75,911. At the same time, trade accounts payable were down by TCHF 3,034 and other liabilities rose by a total of TCHF 658. Non-current and current advance payments received rose by a total of TCHF 86,107.

Sales and other income

Sales amounted to TCHF 64,265 in the reporting period after TCHF 125,731 in the same period of the previous year. Sales in the Sports- and Event-Marketing segment decreased by TCHF 1,140 and those in the Film segment reduced by TCHF 60,636. Capitalized film production costs and other own work capitalized decreased by TCHF 112 year-on-year.

Operating expenses

The cost of materials and licenses declined by TCHF 6,547 year-on-year. The reduction is primarily due to the lower production volume in the Film segment compared to the first quarter of 2014.

Personnel expenses amounted to TCHF 21,937 in the reporting period and were thus slightly below the previous year's level.

Amortization, depreciation and impairment on film assets, intangible assets and property, plant and equipment totaling TCHF 12,074 (previous year's period: TCHF 65,248) comprise amortization and depreciation of TCHF 10,037 (previous year's period: TCHF 56,331) and impairment of TCHF 2,037 (previous year's period: TCHF 8,917), 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 139 in the period under review (previous year's period: TCHF 395). The cumulative unrecognized pro-rata loss was TCHF 1,965 (December 31, 2014: TCHF 3,253). The decrease of TCHF 1,288 compared to the previous period is attributable to the reduction of the shares in Mister Smith Entertainment Ltd. to 5%. The unrecognized pro-rata losses are losses exceeding the value of the Group's holding in an associated company or joint venture.

Financial result

In the reporting period, the financial result was down by a total of TCHF 4,639 compared to the same period of the previous year, mainly as a result of exchange rate effects.

6. Financial risk management

The Group is exposed to various financial risks resulting from its operating 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, credit quality and the solvency of the Group's business partners. There have been no changes in the allocation of financial assets and liabilities to the individual classes compared with the annual consolidated financial statements. For additional information, please refer to the annual report 2014, notes to the consolidated financial statements, note 8.

Fair value of financial assets and liabilities

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

March 31, 2015 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/without category	–	7,197	–	7,197
Financial assets at fair value through profit or loss	FVPL	103	–	3,124	3,227
Financial assets (equity instruments)	FVOCI	12,301	–	–	12,301
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships in accordance with IAS 39	without category	–	–	–	–
Derivative financial instruments	FLPL/without category	–	743	–	743

Disclosures on level 3 financial instruments:

Designation of the financial instrument	Long-term shares	Short-term shares
Fair value January 1, 2015	1,712	1,624
Gains/(losses) income statement	–	–
Currency translation differences through equity	59	–168
Acquisition	–	–
Sale	–	–
Fair value March 31, 2015	**1,771**	**1,456**

December 31, 2014 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/without category	–	3,624	–	3,624
Financial assets at fair value through profit or loss	FVPL	90	–	3,336	3,426
Financial assets (equity instruments)	FVOCI	11,562	–	–	11,562
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships in accordance with IAS 39	without category	–	–	–	–
Derivative financial instruments	FLPL/without category	–	250	–	250

The financial assets measured at fair value through profit or loss and included in level 1 are measured using market prices. The derivative financial instruments in level 2 are measured at current market rates. 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 totaling TCHF –109.

The currency effects recognized in profit or loss are reported under “financial expenses”.

There were no reclassifications between the individual levels of the fair value hierarchy.

Financial assets and liabilities at amortized cost

Given the short remaining term, the carrying amounts of current financial receivables and liabilities as of the end of the reporting period are approximately the fair value. Non-current receivables are discounted according to their remaining term. Their carrying amounts are therefore also approximately their fair value.

Fair value of non-financial assets and liabilities

With the exception of the property (see note 5), there were no non-financial assets or liabilities measured at fair value as of March 31, 2015. As was the case as of December 31, 2014, the property measured at fair value is assigned to level 3. The fair value as of March 31, 2015 corresponds to the previous carrying amount.

7. Segment reporting

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

The management of the company as the chief operating decision maker makes decisions on the allocation of resources to the segments and assesses their success on the basis of key indicators 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 still divided into the three operating 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 transactions 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 the segments are performed as arm’s length transactions.

Segment informationen January 1 to March 31, 2015

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Recon-ciliation	Group
External sales	52,038	11,267	960	–	–	64,265
Other segment income	12,745	2,851	39	–	–	15,635
Segment expenses	–65,261	–7,339	–1,374	–973	–	–74,947
thereof amortization, depreciation	*–9,708*	*–206*	*–123*	–	–	*–10,037*
thereof impairment	*–2,037*	–	–	–	–	*–2,037*
Segment result	**–478**	**6,779**	**–375**	**–973**	**–**	**4,953**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						754
Financial income						1,452
Financial expenses						–5,957
Profit before taxes						**1,202**

Segment informationen January 1 to March 31, 2014

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Recon-ciliation	Group
External sales	112,674	12,407	650	–	–	125,731
Other segment income	12,266	136	246	–	–244	12,404
Segment expenses	–127,466	–7,101	–1,546	–1,325	244	–137,194
thereof amortization, depreciation	*–55,784*	*–216*	*–331*	–	–	*–56,331*
thereof impairment	*–8,917*	–	–	–	–	*–8,917*
Segment result	**–2,526**	**5,442**	**–650**	**–1,325**	**–**	**941**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						61
Financial income						2,378
Financial expenses						–2,244
Profit before taxes						**1,136**

8. Contingent liabilities and other financial obligations

Compared to the consolidated financial statements as of December 31, 2014, contingent liabilities and other financial obligations decreased by TCHF 10,143 to TCHF 58,598 as of March 31, 2015.

9. 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 in addition to companies controlled by members of the Board of Directors. In some cases, the receivables due from associated companies and joint ventures also include loans that arise from the non-binding financing of operative projects.

The table below shows the scope of the transactions performed in the reporting period:

Joint ventures

(TCHF)	Mar. 31, 2015	Dec. 31, 2014
Receivables	148	3,371
Liabilities	–	700

(TCHF)	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Sales and other income	1,389	1,297
Cost of materials and licenses and other expenses	1,265	1,156

Associated companies

(TCHF)	Mar. 31, 2015	Dec. 31, 2014
Receivables	2,920	2,971
Liabilities	–	–

(TCHF)	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Sales and other income	–	1
Cost of materials and licenses and other expenses	–	45

Other related parties

(TCHF)	Mar. 31, 2015	Dec. 31, 2014
Receivables	–	-
Liabilities	114	36

(TCHF)	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Sales and other income	–	-
Cost of materials and licenses and other expenses	–	180

Parent company and its direct subsidiaries

(TCHF)	Mar. 31, 2015	Dec. 31, 2014
Receivables	–	6
Liabilities	41	101

(TCHF)	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Sales and other income	–	44
Cost of materials and licenses and other expenses	48	128

Other related party transactions essentially include the relations to various members of the Board of Directors and Managing Directors, which resulted in liabilities of TCHF 114 as of March 31, 2015 (December 31, 2014: TCHF 36).

Related parties include the members of the Board of Directors, the members of Group management and their relatives.

Highlight Communications AG did not perform significant services for companies controlled by related parties in the reporting period or in the same period of the previous year.

All transactions with related parties are carried out at arm's length conditions.

10. Events after the reporting period

On April 28, 2015, Highlight Communications AG increased its shareholding in Highlight Event & Entertainment AG, which was already fully consolidated, from 71.93 % to 74.99 %.

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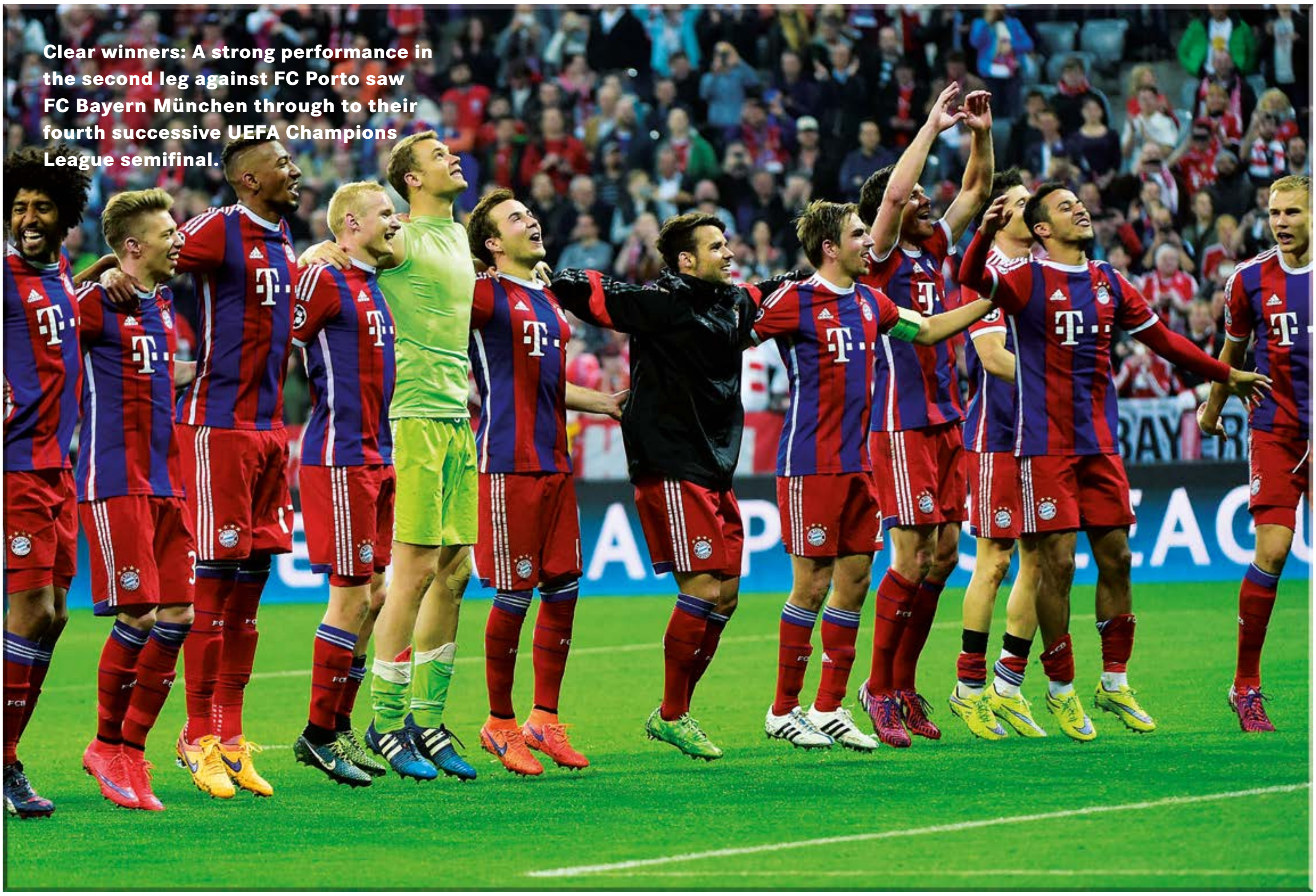

Clear winners: A strong performance in the second leg against FC Porto saw FC Bayern München through to their fourth successive UEFA Champions League semifinal.

Events 2015

Cinema	Cannes Film Festival	May 13–24
	Locarno Film Festival	August 5–15
	Venice Film Festival	September 2–12
	Toronto Film Festival	September 10–20
Football	UEFA Europa League final	May 27
	UEFA Champions League final	June 6
Events	Vienna Philharmonic's Summer Night Concert	May 14
	Eurovision Song Contest, semifinals	May 19 and 21
	Eurovision Song Contest, final	May 23
	WTA Finals	October 26–November 1
Investor Relations	Annual General Meeting	June 12
	Interim reports	August/November
	German Equity Forum	November 23–25

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