



3Q2017

Quarterly Statement as of September 30, 2017

The third quarter of 2017 was the quarter with the highest sales and income so far in the current fiscal year.

- At CHF 249.5 million, consolidated sales after nine months were therefore only 10.4% lower than the previous year's level.
- EBIT was also down year-on-year at CHF 15.8 million on account of a significant increase in the cost of materials and licenses.
- The consolidated net profit for the period amounted to CHF 9.0 million, a drop of CHF 2.5 million as against the figure for the same period of 2016, which however had included a non-recurring accounting profit of CHF 2.6 million.
- The share of earnings attributable to Highlight shareholders was CHF 8.6 million, corresponding to earnings per share of CHF 0.16.
- The equity ratio improved to 48.7% as a result of the capital increase (December 31, 2016: 36.7%).

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2017	Jan. 01 to Sept. 30, 2016	Change
Sales	249.5	278.4	-10.4%
EBIT	15.8	19.4	-18.6%
Net profit for the period	9.0	11.5	-21.7%
Net profit attributable to shareholders	8.6	11.1	-22.5%
Earnings per share (in CHF)	0.16	0.26	-38.5%

The decline in sales results from the Film segment, which achieved very high sales in the first nine months of 2016. However, capitalized film production costs and other own work capitalized climbed by CHF 47.8 million, with the result that the Group's total output rose to CHF 361.2 million (previous year: CHF 342.3 million). Other operating income declined by CHF 4.0 million to CHF 9.9 million.

Consolidated operating expenses rose by CHF 18.3 million to CHF 355.2 million. In particular, this was largely due to a higher cost of materials and licenses in connection with productions (up CHF 30.7 million). By contrast, amortization, depreciation and impairment were down by CHF 13.6 million.

The lower EBIT is due essentially to the fact that the figure for the previous year includes a one-time accounting profit of CHF 2.6 million from the deconsolidation of Highlight Event and Entertainment AG and Pokermania GmbH. This was also true for the consolidated net profit for the period.

The strong decline in earnings per share was caused by the capital increase, which was carried out in the second quarter of 2017 and significantly increased the number of shares in circulation.

Net assets and financial position (in CHF million)

	Sept. 30, 2017	Dec. 31, 2016	Change
Balance sheet total	492.1	368.5	33.5%
Equity	239.8	135.3	77.2%
Equity ratio (in %)	48.7	36.7	12.0 points
Current financial liabilities	84.4	52.3	61.4%
Cash and cash equivalents	63.3	88.5	-28.5%

Non-current assets increased by CHF 33.0 million in total, primarily as a result of additions to film assets (CHF 26.6 million) and higher non-current receivables due from third parties (CHF 5.8 million).

Current assets were up by CHF 90.6 million year-on-year, essentially on account of a significant increase in trade accounts receivable and other receivables of CHF 114.3 million. By contrast, cash and cash equivalents declined by CHF 25.2 million.

As a result of this drop together with the growth in financial liabilities, net debt amounted to CHF 21.1 million as of September 30, 2017 (December 31, 2016: net liquidity of CHF 36.2 million).

The sharp rise in equity is mainly a result of the capital increase (CHF 89.6 million). The consolidated net profit for the period (CHF 9.0 million) and unrealized currency translation gains (CHF 5.9 million) also contributed to this development.

Operational and economic development of the Film segment

Theatrical production – Start of filming on three theatrical movies in the third quarter of 2017 – another Rita Falk thriller (“Sauerkrautkoma”), the international co-production “The Silence” (based on the novel of the same name by fantasy and horror genre author Tim Lebbon) and the Rat Pack co-production “Safari” – a comedy about the trials and tribulations of dating, which will be distributed by Concorde.

Theatrical distribution – Five Constantin Film co-productions released in theaters in the period from July to September 2017: “Das Pubertier”, “Ostwind – Aufbruch nach Ora”, “Grießnockerlaffäre”, “Tigermilch”, and “Jugend ohne Gott”.

Very strong performance of “Das Pubertier” (around 900,000 viewers), “Ostwind – Aufbruch nach Ora” (around 1.1 million moviegoers), and “Grießnockerlaffäre” (more than 800.000 viewers, even though the movie was shown almost exclusively in Bavarian theaters).

Home entertainment – New releases in the third quarter of 2017 included the Constantin Film theatrical titles “Resident Evil: The Final Chapter” and “A Dog’s Purpose” as well as the licensed title “Shot Caller”, which was released straight-to-video.

License trading/TV exploitation – Start of licenses for theatrical movies in the period from July to September 2017, including “Love, Rosie”, “The Famous Five 4” (both ProSieben), and “Schweinskopf al dente” (ARD) in free-TV and “Resident Evil: The Final Chapter” (Sky, pay-per-View) in pay-TV.

TV service production – Double-digit percentage market shares (overall market) for several TV service productions from Constantin Film AG or its subsidiaries in the third quarter of 2017, in particular the individual episodes of the Ferdinand von Schirach adaptation “Schuld 2” (broadcast on ZDF in September) with at least 16.5% per episode and the “Löwenherz” episode of the ZDF detective series “Kommissarin Lucas” (broadcast on September 9, 2017) at 20.5%.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2017	Jan. 01 to Sept. 30, 2016	Change
Segment sales	205.5	234.1	-12.2%
Segment earnings	0.5	1.3	-61.5%

The decline in external sales is due essentially to the unusually high revenue generated in the first nine months of the previous year from the start of home entertainment exploitation of “Fack Ju Göhte 2” and “Look Who’s Back”, which – as expected – was not matched in the current year.

Other segment income, which is influenced largely by capitalized film production costs, rose by CHF 49.6 million to CHF 121.5 million as a result of the currently higher production volume. Segment expenses climbed by CHF 21.8 million to CHF 326.5 million – in particular on account of the significantly higher cost of materials and licenses.

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

In the period July to September 2017, numerous talks by the TEAM Group with existing and potential partners in the marketing process for TV and sponsorship rights for the 2018/19 to 2020/21 seasons of the UEFA Champions League and the UEFA Europa League. Successful renewal of cooperation with Nissan in sponsorship and sale of TV rights on other key markets such as Spain and the US.

In August, support of UEFA in the handling of the UEFA Super Cup in Skopje, Macedonia, and the annual draw for the group stages (UEFA Champions League and UEFA Europa League) in Monaco.

UEFA Super Cup between Real Madrid CF and Manchester United broadcast in more than 90 countries to more than 50 million viewers – an increase of around 10 million compared to the previous year.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2017	Jan. 01 to Sept. 30, 2016	Change
Segment sales	44.0	44.1	-0.2%
Segment earnings	19.6	19.2	2.1%

The slight decline in the external sales was more than compensated by savings in segment expenses of CHF 0.6 million, hence segment earnings improved accordingly.

Operational and economic development of the Other Business Activities segment

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

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2017	Jan. 01 to Sept. 30, 2016	Change
Segment sales	0.0	0.2	n/a
Segment earnings	0.0	2.7	n/a

Report on risks and opportunities

The risk described in the interim report as of June 30, 2017 of a delay in the capital increase that Highlight Communications AG announced on June 12 no longer applies. On September 28, 2017, the Basel-Landschaft Canton Court lifted the suspension prohibiting the entry of this capital increase in the commercial register requested by Constantin Medien AG and ordered the commercial register to enter it immediately. Constantin Medien AG then declared that it would take no further legal action against the decision and that it would also terminate all other legal disputes with Highlight Communications AG.

There were no significant changes other than this in the third quarter of 2017. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report in our 2016 annual report.

Outlook

Two more theatrical releases in Germany are planned in the fourth quarter of 2017: "Fack Ju Göhte 3", which has already had a highly successful start at the end of October (so far seen by an audience of more than 5.2 million), and the adaptation of the bestseller "Dieses bescheuerte Herz", both starring Elyas M'Barek in the leading role.

In Home entertainment new titles including "Timm Thaler und das verkaufte Lachen" and "Ostwind – Aufbruch nach Ora" are scheduled to be released for pay-per-view.

In license trading/TV exploitation, the period from October to December 2017 will see the start of the licenses for "Enchanted Kingdom" and "The Good Lie" in free-TV, and titles including "Das Pubertier" and "Ostwind – Aufbruch nach Ora" in pay-TV.

Constantin Film subsidiaries are preparing a number of new projects in TV service production before the end of the year, among them "Schattengrund", "Die Heiland", and "Platzhirsche".

The TEAM Group's activities will continue to focus on the best possible marketing of the TV and sponsorship rights for the UEFA Champions League and the UEFA Europa League for the 2018/19 to 2020/21 seasons until the end of the year. Another key area is the development of recommendations for designing the format and commercial concept for both competitions for the following seasons (2021/22 to 2023/24).

The forecast for the year of consolidated sales of between CHF 360 million and CHF 380 million and a consolidated net profit attributable to shareholders of between CHF 18 million and CHF 20 million is again confirmed.

Events after the balance sheet date

The management and the Board of Directors are not aware of any events that occurred after the balance sheet date and have a significant impact on the net assets, financial position and results of operations of the Highlight Group.

Notes and forward-looking statements

This document is a quarterly statement according to Section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse.

For calculation-related reasons, rounding differences of +/- one unit may arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

This document contains forward-looking statements that are based on estimates and expectations of the Group management. Words such as “anticipate”, “intend”, “expect”, “can/could”, “plan”, “intended”, “further improvement”, “target is” and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not historical facts. These are subject to risks, uncertainties and factors, of which most are difficult to assess and which in general are beyond the control of the Group management. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove to be incorrect, the actual results, performance or achievements of the Highlight Group may differ significantly from those described explicitly or implicitly in the forward-looking statements. Highlight Communications AG does not intend to continuously update the forward-looking statements contained in this document.

Although every effort has been made to ensure that the provided information and facts are correct, and that the opinions and expectations are reasonable, no liability or warranty as to the completeness, correctness, adequacy and/or accuracy of any forward-looking statements in this document is assumed.

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