



1Q2018

Quarterly Statement as of **March 31, 2018**

The Highlight Group starts fiscal year 2018 with very sound results.

- Initial consolidation of the balance sheet of Constantin Medien AG as of March 31, 2018
- Consolidated sales rose by CHF 5.5 million compared with the first quarter of 2017 to CHF 85.5 million
- EBIT improved by 37.5% from CHF 2.4 million to CHF 3.3 million
- At CHF -0.3 million, the consolidated net profit for the period was down on the previous year's period (CHF 0.8 million) due to much higher financing costs
- This was also true for earnings attributable to Highlight shareholders, which fell from CHF 0.7 million to CHF -0.7 million

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	1Q2018	1Q2017	Change
Sales	85.5	80.0	6.9%
EBIT	3.3	2.4	37.5%
Net profit for the period	-0.3	0.8	-137.5%
Net profit attributable to shareholders	-0.7	0.7	-200.0%
Earnings per share (in CHF)	-0.01	0.02	-150.0%

The sales growth, to which both segments contributed, was more than offset by a CHF 15.6 million decrease in capitalized film production costs and other own work capitalized, meaning that total output was down on the previous year's period (CHF 118.6 million) at CHF 108.4 million.

Consolidated operating expenses were down by CHF 10.9 million at CHF 107.6 million, particularly due to a production-related decrease in the cost of materials and licenses.

The fact that the positive development of EBIT was not reflected in the consolidated net profit for the period is largely due to a CHF 3.0 million rise in financing costs to CHF 5.1 million.

Net assets and financial position (in CHF million)

	March 31, 2018	Dec. 31, 2017	Change
Balance sheet total	663.7	512.8	29.4%
Equity	203.8	236.4	-13.8%
Equity ratio (in %)	30.7	46.1	-15.4 points
Current financial liabilities	226.9	77.2	193.9%
Cash and cash equivalents	137.4	186.6	-26.4%

Non-current assets posted an increase totaling CHF 150.9 million, which was primarily attributable to the takeover offer. Furthermore, the value of film assets increased by CHF 12.9 million to CHF 174.7 million.

Current assets declined by CHF 23.9 million, chiefly due to the decrease in cash and cash equivalents.

As a result of the rise in financial liabilities due to the financing of the acquisition of the additional shares (29.99%) of Constantin Medien AG as well as the transfer of the corporate bond of Constantin Medien AG in connection with the initial consolidation, net debt amounted to CHF 89.4 million at the end of the first quarter of 2018 (December 31, 2017: net liquidity of CHF 109.5 million).

The fall in equity primarily results from the increase in capital stock as a result of the initial consolidation of the balance sheet of Constantin Medien AG. Constantin Medien AG holds shares of Highlight Communications as a financial investment which have to be reclassified on the Highlight Group level.

Operational and economic development of the Film segment

Theatrical distribution – Theatrical release of the Constantin Film own/co-productions “Nur Gott kann mich richten” (January 25, 2018), “Fünf Freunde und das Tal der Dinosaurier” (March 13, 2018) and “Verpiss Dich, Schneewittchen!” (March 29, 2018), which failed to attain the expected audience figures, with the exception of “Fünf Freunde und das Tal der Dinosaurier”.

At the allocation of reference funding for 2017 by the German Federal Film Board, the Constantin Film Group was once again named the most successful German producer and distributor. This comes with reference funding of around EUR 3.0 million for production and around EUR 0.69 million for distribution.

Home entertainment – Very positive performance in the first quarter of 2018, mainly attributable to the exploitation of “Fack Ju Göhte 3”. The hit comedy went straight to the top of the German sales charts as soon as it was released; by the end of the quarter, it had accounted for a total of more than 500,000 physical and digital sales transactions. In addition, the consistently strong sales figures of the catalog titles, particularly “Ostwind – Aufbruch nach Ora”, “Look Who’s Back”, “Fack Ju Göhte 1 and 2” and the “Resident Evil” franchise contributed to the strong result.

License trading/TV exploitation – Start of licenses for theatrical movies including “Ostwind 2” (RTL2) and “Abschussfahrt” (ProSiebenSat.1) in free-TV as well as “Fack Ju Göhte 3” (Sky) in pay-TV (pay-per-view).

TV service production – Start of filming for “Der Kroatien-Krimi” (parts 5 and 6) for ARD/Degeto as well as the TV series “Die Heiland: Wir sind Anwalt” for Rundfunk Berlin-Brandenburg (rbb). In addition, Constantin Television GmbH is producing 555 new episodes of Bayerischer Rundfunk’s daily show “Dahoam is Dahoam”. This will take this series through to the beginning of 2021.

Several TV service productions achieved double-digit percentage market shares (overall market) in the first quarter of 2018; in particular “Der Kroatien-Krimi: Mord auf Vis” – a Constantin Television GmbH production for ARD – attained a market share of 13.5% on January 25.

At international level, episodes 44 to 53 of “Shadowhunters” (season 3) were still being filmed up to May 15, 2018. Episodes 34 to 43 began their run on the US channel Freeform on March 20. The series continues to attract outstanding feedback on social media.

Sales and earnings (in CHF million)

	1Q2018	1Q2017	Change
Segment sales	70.1	65.5	7.0%
Segment earnings	-2.6	-2.7	3.7%

The increase in external sales is largely based on the start of home-entertainment exploitation of “Fack Ju Göhte 3”.

Other segment income, which is characterized largely by capitalized film production costs, fell by CHF 15.7 million. At the same time, expenses dropped by CHF 11.2 million to CHF 97.9 million, with the result that segment earnings remained virtually unchanged.

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

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

Another focus was the further development of the commercial concept for both competitions for these and subsequent seasons. In addition, active support of the commercial partners and UEFA in preparing for the finals of the UEFA Europa League in Lyon and the UEFA Champions League in Kiev featured prominently.

Sales and earnings (in CHF million)

	1Q2018	1Q2017	Change
Segment sales	15.4	14.5	6.2%
Segment earnings	8.4	6.8	23.5%

The increase in external sales of the Sports- and Event-Marketing segment stems from higher agency commission that the TEAM Group generated as a result of successful marketing of the UEFA club competitions.

Along with the rise in sales, the substantial increase in segment earnings compared with the first quarter of the previous year is attributable to cost savings (CHF 0.6 million) and higher other segment income (CHF 0.2 million).

Report on risks and opportunities

There were no changes in the Highlight Group's risks and opportunities in the first quarter of 2018. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report in our 2017 annual report.

Outlook

In the context of new digital distribution platforms, growing media consumption and a rise in global demand for audiovisual products, the overall situation in the Film segment can be regarded as positive. The biggest challenges here stem from an increasing "event culture", particularly in the movie-theater sector, as well as new competitors with a strong market presence.

In the theatrical production business area, there are further strong prospects arising from the increase in the German Federal Film Fund to EUR 125 million per year from January 1, 2018.

Overall, the sales forecast for 2018 is based on a promising portfolio of attractive own/co-productions and licensed films for cinema and home entertainment. In addition, activities in the TV service production business area are set to pick up significantly.

In theatrical distribution, another nine film releases are currently planned, with the focus on the second half of the year, as is traditional. Releases in this period will include the literary adaptation "Der Vorname" and "Sauerkrautkoma", the fifth screen adaptation of the Rita Falk whodunit series.

In home entertainment exploitation, we continue to anticipate good sales figures for our catalog products and new releases. In new releases, this particularly applies to the theatrical hit "Fack Ju Göhte 3", which went on sale back in mid-March, as well as the pending releases of "Dieses bescheuerte Herz" and "Fünf Freunde und das Tal der Dinosaurier".

In the second quarter of this year, the free-TV segment of the license trading/TV exploitation business area will mainly be dominated by sales from the theatrical movies "Fack Ju Göhte 2" and "Look Who's Back." In pay-TV exploitation, sales will be generated from the likes of "Resident Evil: The Final Chapter" (pay-per-view) and "Florence Foster Jenkins" (pay-per-click).

The TEAM Group will continue to focus on optimum global marketing of the TV and sponsorship rights for the two UEFA club competitions for the 2018/19 to 2020/21 seasons as well as active support of commercial partners and UEFA in staging the forthcoming finals.

In light of this, we are confirming our annual forecast for consolidated sales, which are expected to amount to between CHF 520 million and CHF 540 million, and for consolidated net profit attributable to shareholders of between CHF 18 million and CHF 20 million.

Events after the balance sheet date

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

Notes and forward-looking statements

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

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

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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