



1Q2016

Quarterly Statement as of March 31, 2016

The Highlight Group has started fiscal year 2016 with very positive results.

- Consolidated sales for the first three months amounted to CHF 128.1 million, almost double their level in the first quarter of the previous year.
- EBIT improved by 74.0% from CHF 5.0 million to CHF 8.7 million.
- Consolidated net profit for the period rose from CHF 0.6 million to CHF 5.5 million.
- The share of profit attributable to Highlight shareholders climbed from CHF 0.7 million to CHF 5.4 million, corresponding to earnings per share of CHF 0.12.
- Net liquidity posted an increase from CHF 2.1 million (as of December 31, 2015) to CHF 6.7 million.

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	1Q2016	1Q2015	Change
Sales	128.1	64.3	99.2%
EBIT	8.7	5.0	74.0%
Net profit for the period	5.5	0.6	816.7%
Net profit attributable to shareholders	5.4	0.7	671.4%
Earnings per share (in CHF)	0.12	0.02	500.0%

In addition to the higher sales, which were attributable to the Film segment in particular, a rise in capitalized film production costs and other own work capitalized resulted in a CHF 103.1 million increase in total output to CHF 175.0 million.

Consolidated operating expenses rose by CHF 99.4 million to CHF 174.3 million, due to a production-related rise in the cost of materials and licenses as well as considerably higher amortization of film assets.

The higher increase in the consolidated net profit for the period as compared to EBIT is due primarily to the fact that the financial result improved from CHF -4.5 million to CHF -2.2 million owing to currency factors (change in the Swiss franc/euro exchange rate triggered by the decision of the Swiss National Bank in mid-January 2015 to lift the cap of 1.20 EUR/CHF).

In addition, the deconsolidation of Highlight Event & Entertainment AG and Pokermania GmbH resulted in an accounting profit of CHF 2.6 million.

Net assets and financial position (in CHF million)

	March 31, 2016	Dec. 31, 2015	Change
Balance sheet total	383.1	458.0	-16.4%
Equity	92.0	103.8	-11.4%
Equity ratio (in %)	24.0	22.7	1.3 points
Current financial liabilities	83.2	104.3	-20.2%
Cash and cash equivalents	89.9	106.4	-15.5%

Non-current assets decreased by a total of CHF 57.9 million, due mainly to an exploitation-related decline in film assets of CHF 54.6 million to CHF 146.5 million.

Current assets fell by CHF 17.0 million as a result of the lower level of cash and cash equivalents.

Net liquidity rose by CHF 4.6 million to CHF 6.7 million despite the decrease in cash and cash equivalents.

The decline in equity was due in particular to the purchase of treasury stock.

Operational and economic development of the Film segment

Theatrical distribution – Theatrical release of two movies from the Constantin Film Group in the first quarter with the co-production “Gut zu Vögeln” (released on January 14, 2016) and the licensed title “Dirty Grandpa” (released on February 11, 2016), which had attracted 1.26 million viewers (including previews) in Germany by the end of March. It therefore ranked in 8th place (on the German market) out of all of the films released in the first quarter of 2016.

Home entertainment – Outstanding performance of the new release “Fack Ju Göhte 2” (available since February 25, 2016) in the home entertainment sector with around 500,000 units in physical sales and around 400,000 digital transactions by the end of February 2016*).

*) Data for March 2016 was not yet available on the editorial closing date.

License trading/TV exploitation – Start of licenses for movies including “The Fifth Estate” (Pro 7) and “Schoßgebiete” (WDR) in free-TV and “Frau Müller muss weg!” (Sky) in pay-TV. Delivery and start of TV exploitation of the first season of “Shadowhunters” for the US broadcaster Freeform. “Shadowhunters” is this broadcaster’s second most successful production. The Constantin Film Group has now been commissioned with a second season.

TV service production – At Moovie GmbH, start of filming on the two-part series “Familie” for ZDF and the drama “Terror” for ARD/Degeto. Several TV service productions from Constantin Film AG or its subsidiaries achieved double-digit percentage market shares (overall market) in the first quarter of 2016.

Sales and earnings (in CHF million)

	1Q2016	1Q2015	Change
Segment sales	113.1	52.0	117.5%
Segment result	0.5	-0.5	200.0%

The rise in external sales in the Film segment is attributable mainly to the start of exploitation of “Fack Ju Göhte 2” in the home entertainment sector and the release of “Shadowhunters”.

Other segment income, which is influenced largely by capitalized film production costs, climbed by CHF 36.4 million, while segment expenses increased – due in particular to considerably higher amortization of films being exploited – by CHF 96.5 million to CHF 161.8 million.

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

Conclusion of further major deals – for both TV rights and sponsorship rights – in the marketing process for the commercial rights for the 2015/16 to 2017/18 seasons of the UEFA Champions League and the UEFA Europa League.

Further focus in the reporting period on preparation for the upcoming rights marketing for the 2017/18 to 2020/21 seasons.

Sales and earnings (in CHF million)

	1Q2016	1Q2015	Change
Segment sales	14.7	11.3	30.1%
Segment result	6.7	6.8	-1.5%

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

The nearly unchanged segment result compared to the first quarter of the previous year is the result of the elimination of other currency-related segment income of CHF 2.9 million despite higher external sales.

Operational and economic development of the Other Business Activities segment

Decision by the Board of Directors of Highlight Communications AG on February 2, 2016 to no longer to pursue the activities of the Other Business Activities segment and to sell the equity investment in Highlight Event & Entertainment AG to Bernhard Burgener. For further details, please refer to page 4 (“Divestments”) of this quarterly statement.

Sales and earnings (in CHF million)

	1Q2016	1Q2015	Change
Segment sales	0.2	1.0	-80.0%
Segment result	2.7	-0.4	775.0%

External sales, other income and expenses of the Other Business Activities segment in the first quarter of 2016 were significantly influenced by the deconsolidations of Highlight Event & Entertainment AG and Pokermania GmbH. Overall, these deconsolidations brought about an improvement in the segment result.

Report on risks and opportunities

There were no changes in the risks and opportunities for the Highlight Group in the first quarter of 2016. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report in our 2015 annual report.

Outlook

In theatrical distribution, 12 movie releases are currently planned, with the focus here on the second half of 2016. During this period, movies such as the Steven Spielberg film “The BFG – Big Friendly Giant”, the adaptation of the novel “Girl on the Train”, the tragicomedy “Florence Foster Jenkins” and the big-screen adaptation of the TV classic “Timm Thaler” will be released in German movie theaters.

In home entertainment exploitation, we still anticipate continued good sales figures for our catalog products and new releases. After “Fack Ju Göhte 2” has already achieved extremely good sales results, we expect similar successes with the theatrical hit “Look Who’s Back”, released at the start of April, and the licensed film “The BFG – Big Friendly Giant”, which will be released at the end of the year.

In the second quarter of this year, the free-TV segment of the license trading/TV exploitation business area will be influenced in particular by the sales of the movies “Da geht noch was”, “The Mortal Instruments – City of Bones” and “Delivery Man”. In pay-TV exploitation, movies including “Look Who’s Back”, “Ostwind 2” and “Abschussfahrt” will generate sales. In addition, there will be a particular focus on making the second season of “Shadowhunters” for the US broadcaster Freeform.

At the TEAM Group, the marketing process for the TV and sponsorship rights for the two UEFA club competitions (for the 2018/19 to 2020/21 seasons in each case) will begin in the foreseeable future. The finals on May 18 in Basel (UEFA Europa League) and on May 28 in Milan (UEFA Champions League) provide the perfect platform to talk to existing and potential partners about possible cooperation.

Divestments

As published in the ad-hoc disclosure of February 2, 2016, sale of the equity investment in the fully consolidated company Highlight Event & Entertainment AG (75.37%) to Bernhard Burgener by Highlight Communications AG on February 3, 2016. Sale price of CHF 18.3 million consists of a cash payment of CHF 4.6 million and 2,200,000 bearer shares of Highlight Communications AG held by the buyer, with a value equivalent of CHF 13.7 million.

Sale of the associated shareholdings in Paperflakes AG, Holotrack AG and Kuuluu Interactive Entertainment AG and of the equity investment in Pulse Evolution Corporation. Sale of the equity investment in the fully consolidated company Pokermania GmbH (50.004%) to minority shareholder by Highlight Communications AG on March 31, 2016. Gain on deconsolidation of CHF 1.9 million. In this context, the remaining receivable from Pokermania GmbH and Kuuluu Interactive Entertainment AG was written down in profit or loss.

Due to the divestments made in the first quarter, the accounting profit totals CHF 0.6 million taking into account other operating income from deconsolidation of CHF 5.8 million less operating expenses of CHF 3.2 million and financial expenses of CHF 2.0 million.

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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