



3Q2019

QUARTERLY STATEMENT AS OF SEPTEMBER 30, 2019

The third quarter of 2019 saw the highest sales and earnings of the fiscal year so far.

- At CHF 353.6 million, nine-month consolidated sales were 5.1% higher than the previous year's figure.
- EBIT improved by 29.8% from CHF 14.1 million to CHF 18.3 million.
- The consolidated net profit for the period of CHF 5.7 million was slightly below the previous year's figure (CHF 6.0 million) due to significantly higher financial expenses.
- The share of earnings attributable to Highlight shareholders was CHF 6.3 million, corresponding to earnings per share of CHF 0.11.
- The equity ratio declined from 35.3% to 27.4% as a result of the acquisition of additional shares in Constantin Medien AG.

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2019	Jan 01 to Sept. 30, 2018	Change
Sales	353.6	336.4	5.1%
EBIT	18.3	14.1	29.8%
Net profit for the period	5.7	6.0	-5.0%
Net profit attributable to shareholders	6.3	6.5	-3.1%
Earnings per share (in CHF)	0.11	0.11	0.0%

It should be noted regarding the following statements on sales and earnings performance that Constantin Medien AG was consolidated for the first time effective March 31, 2018, and allocated to the Sports segment. The company's consolidation period was thus only six months in the period from April 1 to September 30, 2018, but a full nine months for the current reporting period. Comparability with prior-year figures is therefore limited.

The increase in sales is primarily due to these different consolidation periods in the Sports segment (up CHF 17.0 million); the sales of the Film and Sports- and Event-Marketing segments remained virtually constant year-on-year. Capitalized film production costs and other own work capitalized declined by CHF 41.9 million to CHF 68.7 million on account of productions, while other operating income saw a slight increase of CHF 4.5 million to CHF 15.9 million.

Consolidated operating expenses fell by CHF 24.5 million to CHF 419.8 million. This development primarily resulted from decreases in the cost of materials and licenses (CHF -34.0 million) and amortization, depreciation and impairment (CHF -4.6 million). In contrast, personnel expenses rose by CHF 16.7 million.

The higher EBIT resulted chiefly from the Film segment, which contributed CHF 9.4 million to earnings, its contribution thus more than doubling compared with the previous year (CHF 4.0 million). The fact that the EBIT improvement was not reflected in the consolidated net profit for the period is primarily attributable to the significantly higher financial expenses (up CHF 4.0 million). This increase is connected to the acquisition of additional shares in Constantin Medien AG following the public delisting tender offer of July 31, 2019.

Net assets and financial position (in CHF million)

	Sept. 30, 2019	Dec. 31, 2018	Change
Balance sheet total	654.0	638.6	2.4%
Equity	179.5	225.6	-20.4%
Equity ratio (in %)	27.4	35.3	-7.9 points
Current financial liabilities	87.2	149.0	-41.5%
Cash and cash equivalents	41.2	52.5	-21.5%

Non-current assets increased by CHF 11.4 million in total. This development was chiefly due to right-of-use assets from leases, which were recognized for the first time in the amount of CHF 39.3 million. By contrast, the value of film assets fell by CHF 17.6 million to CHF 167.9 million. There were other notable decreases in non-current receivables (down CHF 6.8 million) and property, plant and equipment (down CHF 3.6 million).

Current assets were up CHF 4.1 million on the comparative figure, mainly on account of an increase in trade accounts receivable and other receivables of CHF 16.8 million, which was partly offset by a CHF 11.3 million decline in cash and cash equivalents.

The main reasons for the reduction in equity were dividend payments of CHF 12.6 million and a considerable decline in non-controlling interests (CHF 34.5 million). This was due to the above-mentioned increase in the stake in Constantin Medien AG.

Operational and economic development of the Film segment

Theatrical production – Filming began on six theatrical movies in total in the third quarter of 2019, including the international horror production “The Foundation – Wrong Turn” and the Leander Haußmann film “Stasikomödie”. Shooting also started for “Kaiserschmarrndrama”, the seventh big-screen adaptation of the extremely successful Rita Falk novels, as well as “Ostwind 5 – Der große Orkan”, “Max und die wilde 7” and “Eiffel in Love”.

Theatrical distribution – “Die Drei !!!” – an adventure story about three young detectives – had its theatrical release in the period from July to September 2019. The film is based on the book series of the same name, which is Germany’s most successful girls’ crime series with over four million copies sold.

The Rita Falk adaptation “Leberkäsjunkie” performed very well, breaking the million-viewer threshold after just under five weeks despite being shown almost exclusively in Bavarian and Austrian movie theaters. “Leberkäsjunkie” was thus the first German theatrical production to achieve this feat in 2019.

Home entertainment – New releases in the third quarter of 2019 included the Constantin Film own production “Ostwind – Aris Ankunft” and the licensed titles “The Beach Bum”, “After Passion” and “Extremely Wicked, Shockingly Evil and Vile”, with the latter going straight to video.

License trading/TV exploitation – In the period from July to September 2019, licenses began for the theatrical movies “Sauerkrautkoma” (ARD), “Florence Foster Jenkins” (ProSieben) and “Resident Evil: The Final Chapter” (ProSieben) on free-TV in addition to “Ostwind – Aris Ankunft” (Sky, pay-per-view) on pay-TV.

TV service production – Several TV service productions by Constantin Film AG and its subsidiaries once again achieved double-digit market shares (overall market) in the third quarter of 2019, in particular the broadcasts of the third and final season of “Schuld” – based on the novel from Ferdinand von Schirach – on ZDF, which had market shares ranging from 13.8% to 16.1% in September 2019. The daily “Dahoam is Dahoam” (Bayerischer Rundfunk) also reached its customary high market share averaging 15.1%.

The weekly live show “Darf er das?” with comedian Chris Tall, produced by Constantin Entertainment GmbH for RTL, performed very positively, with ratings growing from a market share of 11.0% to 12.6%. In addition, the Constantin Entertainment production “Chris Tall presents” ranked among the ten most successful shows of the year on Amazon Prime.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2019	Jan. 01 to Sept. 30, 2018	Change
Segment sales	223.2	224.4	-0.5%
Segment earnings	9.4	4.0	135.0%

The improvement in segment earnings is primarily attributable to a significant decline in segment expenses of CHF 46.0 million or 13.7% to CHF 290.4 million. Other segment income, which is largely influenced by capitalized film production costs, was also down by CHF 39.3 million year-on-year at CHF 76.7 million (previous year’s period: CHF 116.0 million). Both developments reflect the lower production volume at present compared to the first nine months of 2018.

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

The focus of the TEAM Group in 2019 has, to date, been on finalizing (with UEFA) the development of the club competition formats, commercial concepts and rights packages for the 2021/22 to 2023/24 right cycle. In the third quarter of 2019, focus switched to the sale of these new rights packages. In addition to the marketing of UEFA Champions League and UEFA Europa League media, sponsorship and licensing rights, TEAM’s present mandate also incorporates the sale and marketing of a new competition, the UEFA Europa Conference League, which will kick-off for the first time in the 2021/22 season.

Furthermore, in the third quarter of 2019, TEAM continued to support UEFA and its commercial partners in their preparations for the activation of media, sponsorship and licensing rights for the current UEFA Champions League and UEFA Europa League season 2019/20.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2019	Jan. 01 to Sept. 30, 2018	Change
Segment sales	48.8	47.4	3.0%
Segment earnings	24.3	23.8	2.1%

The slight increase in the external sales of the Sports- and Event-Marketing segment results from the higher agency commission that the TEAM Group generated as a result of the successful marketing of UEFA club competitions for the 2018/19 to 2020/21 seasons.

Operational and economic development of the Sports segment

SPORT1's program portfolio was expanded further in the third quarter of 2019, including with international and national football friendlies, highlights of 2. Bundesliga and Major League Soccer (MLS), the DFB All Star game between Germany and Italy, the Socca World Cup 2019, the "Oktoberfest 7s" rugby event, and the "Magenta Sport: Arena" format with highlights from the top German sports leagues. On the production side, PLAZAMEDIA concluded a long-term cooperation agreement with Telekom Deutschland GmbH, under which extensive production services will be provided for the pay-TV offering Magenta Sport in the future.

The free-TV market share was slightly below the level of the previous year's quarter at 0.6% among viewers aged three years and over and 0.9% in the core target group of 14- to 59-year-old men, due in particular to a drop in reach for docutainment and nighttime formats. The start of the new football season and the live premiere of the DFB-Pokal on SPORT1 had a positive effect. In pay-TV, the number of SPORT1+ subscribers increased to 2.39 million as of September 30, 2019 (September 30, 2018: 2.11 million). The pay service eSPORTS1 launched in January 2019 also continued to develop positively with 1.14 million subscribers.

Mobile visits in the period from July to September 2019 were up slightly on the third quarter of 2018, even though the football World Cup took place in the previous year and resulted in high reach. Due to the ongoing shift in content use from online to mobile, online visits declined slightly year-on-year. The number of unique users in the reporting quarter was also slightly below the previous year's figures.

SPORT1's video views increased considerably in the third quarter of 2019 both on the SPORT1 platforms and on YouTube. This is due firstly to the new rights to the DFB-Pokal since the 2019/20 season and secondly to the development of more proprietary video formats.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2019	Jan. 01 to Sept. 30, 2018	Change
Segment sales	81.9	65.0	26.0%
Segment earnings	-9.6	-7.8	-23.1%

Owing to the different consolidation periods of Constantin Medien AG in the first nine months of 2018 (six months) and the first nine months of 2019 (nine months), it is not yet possible to make any meaningful statement on the performance of the Sports segment.

Report on risks and opportunities

There were no changes in the Highlight Group's risks and opportunities in the first nine months of 2019. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report of our 2018 annual report.

Forecast

In theatrical distribution, three films are still expected to be released in German theaters in the fourth quarter of 2019: the comedy "Eine ganz heiÙe Nummer 2.0" (already successfully started on October 3), the new Bora Dagtekin film "Das perfekte Geheimnis" starring Elyas M'Barek, Florian David Fitz, Frederick Lau, Wotan Wilke Möhring, Karoline Herfurth, Jella Haase and Jessica Schwarz (released on October 31), and the licensed production "Die schönste Zeit unseres Lebens" (release on December 19).

In home entertainment, movies such as the Constantin Film co-production "Der Fall Collini" and the licensed titles "The Silence" and "A Dog's Journey" will be released before the end of the year.

In license trading/TV exploitation, the period from October to December 2019 will see the start of the licenses for the theatrical movie "In Zeiten des abnehmenden Lichts" on free-TV and titles including "Papillon" and "Der Fall Collini" on pay-TV.

Constantin Film subsidiaries are preparing a number of projects in TV service production before the end of 2019, among them further episodes of the daily "Dahoam is Dahoam" (Bayerischer Rundfunk), the TV event "Der Feind" (ARD/Degeto), another Ferdinand von Schirach adaptation, and the second season of the popular series "Die Heiland - Wir sind Anwalt" (Degeto/rbb).

The TEAM Group's activities will continue to focus on achieving the best possible sales and marketing of the TV and sponsorship rights of the UEFA Champions League, the UEFA Europa League and the UEFA Europa Conference League (for the 2021/22 to 2023/24 seasons in each case) throughout the remainder of 2019. Several media market and sponsorship category sales processes have already been initiated.

The Sports segment continues to focus on the systematic use, distribution and capitalization of multimedia content. In addition to augmenting the portfolio by acquiring attractive new rights, extending existing partnerships and developing new content cooperations and business areas, the cross-platform exploitation and production of established pillars of programming also remain central. These include the core sports of football, motorsports, ice hockey, basketball, volleyball, boxing, darts, tennis, US sports, and e-sports.

The forecast for the year of consolidated sales of between CHF 520 million and CHF 540 million and a consolidated net profit attributable to shareholders of between CHF 20 million and CHF 22 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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*Publisher and responsible for content: Highlight Communications AG, Pratteln
Design, copy, layout and production: GFD Finanzkommunikation, Frankfurt am Main
Pictures: dpa Picture-Alliance, Frankfurt am Main*