



3Q2020

QUARTERLY STATEMENT AS OF SEPTEMBER 30, 2020

Highlight Group maintains positive earnings development in Q3 2020 despite COVID-19 pandemic

- § EBIT improved by 9.8 % from CHF 18.3 million to CHF 20.2 million.
- § Consolidated net profit for the period climbed substantially by 38.1 % to CHF 7.9 million.
- § The share of earnings attributable to Highlight shareholders was CHF 8.0 million, corresponding to earnings per share of CHF 0.14.
- § Consolidated sales fell by 23.1 % year-on-year to CHF 272.0 million due to COVID-19.
- § The equity ratio was 30.6 % as of the end of the first nine months of 2020 (December 31, 2019: 29.3 %).

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2020	Jan. 01 to Sept. 30, 2019	Change
Sales	272.0	353.6	-23.1%
EBIT	20.2	18.3	9.8%
Net profit for the period	7.9	5.7	38.1%
Net profit attributable to shareholders	8.0	6.3	26.5%
Earnings per share (in CHF)	0.14	0.11	27.3%

The decline in sales is essentially due to COVID-19-related decreases that particularly affected the Film segment (down CHF 60.5 million) and the Sport segment (down CHF 19.5 million). Sales in the Sports- and Event-Marketing segment were only slightly lower than in the previous year (down CHF 1.9 million). Capitalized film production costs and other own work capitalized was down by CHF 17.1 million at CHF 51.7 million on account of productions.

Consolidated operating expenses fell by CHF 105.6 million to CHF 314.2 million. This development primarily resulted from decreases in the cost of materials and licenses (down CHF 30.4 million) and amortization, depreciation and impairment (down CHF 51.1 million). Personnel expenses fell by CHF 10.2 million.

The higher EBIT resulted chiefly from the Film segment, which contributed CHF 12.6 million to earnings, its contribution thus considerably higher than in the previous year (CHF 9.4 million). At CHF 7.4 million, financial expenses were substantially lower than the prior-year figure of CHF 10.7 million, resulting in a 38.1 % increase in consolidated net profit for the period to CHF 7.9 million.

Net assets and financial position (in CHF million)

	Sept. 30, 2020	Dec. 31, 2019	Change
Balance sheet total	661.9	673.9	-1.8%
Equity	202.3	197.7	2.3%
Equity ratio (in %)	30.6	29.3	1.3 point
Current financial liabilities	69.5	66.7	4.3%
Cash and cash equivalents	33.6	53.0	-36.6%

Non-current assets increased by CHF 12.4 million in total. This development was due chiefly to the CHF 17.7 million upturn in the value of film assets and the CHF 4.9 million rise in intangible assets. By contrast, no advance payments for shares in affiliated companies were made within the reporting period. There was another notable decrease in non-current receivables (down CHF 2.9 million), while property, plant and equipment remained at a similar level (down CHF 0.3 million).

Current assets were down CHF 24.5 million on the comparative figure, essentially the result of a CHF 19.4 million decline in cash and cash equivalents. Trade accounts receivable and other receivables also fell by CHF 2.4 million and contract assets by CHF 4.4 million.

The main reason for the increase in equity is the positive consolidated net profit for the period of CHF 7.9 million.

Operational and economic development of the Film segment

Given the pandemic situation, the comments below apply to a more or less short period only. The comments are not as reliable as in earlier reports.

Theatrical production – Owing to the pandemic situation, filming did not begin on any new theatrical productions in the third quarter of 2020. Effective immediately, the government has set up a default fund of EUR 50 million for theatrical movie and TV productions. This is intended to mitigate the effects of production disruptions due to COVID-19, and allow production to resume on theatrical movies and high-end series in Germany. The default fund is part of the NEUSTART KULTUR (RESTART CULTURE) program, which is planned to provide EUR 165 million in total to support the film industry.

Theatrical distribution – “After We Collided” – the next installment in the successful “After” series – and “Le meilleur reste à venir” were released in theaters in the period from July to September 2020.

Also as part of the German government’s NEUSTART KULTUR (RESTART CULTURE) program, the Commissioner for Culture and Media is providing the German Federal Film Board with funding of EUR 30 million. EUR 19 million of this will go directly to the German Federal Film Board’s budget, while EUR 10 million will go towards promoting theatrical distribution and EUR 1 million to promoting movie distribution. The additional EUR 11 million for distribution are part of a comprehensive, time-limited package of measures by the Minister of Culture to boost film sales. In order to provide assistance in conjunction with the coronavirus crisis quickly and efficiently, the government’s distribution funding is based on the established structures of the German Film Subsidies Act. These funds from the Commissioner for Culture and the Media are being provided as non-refundable subsidies to distribution companies to mitigate their high economic risk as a result of the pandemic, and therefore represent vital support for film sales in the current situation.

Home entertainment – New releases in the third quarter of 2020 included the Constantin in-houseproduction “Shadowhunters 3.2” and the licensed titles “Disturbing the Peace” and “Perfetti Sconosciuti”.

License trading/TV exploitation – Start of licenses for theatrical movies in the period from July to September 2020, including the theatrical movies “Leberkäsjunkie” (ARD) and “Dieses bescheuerte Herz” (ProSieben) on free TV and “Der Fall Collini” and “The Silence” (both Sky, pay-per-view) in pay TV.

TV service production – Double-digit market share (total market) for several TV service productions by Constantin Film AG or its subsidiaries in the third quarter of 2020; in particular the broadcast of the TV movie “Nicht tot zu kriegen” (ZDF) marking Iris Berben’s 70th birthday had a market share of 18.6%. The daily “Dahoam is Dahoam” (Bayerischer Rundfunk) achieved its usual high market share of 14.8% on average (where broadcasted). The 30th episode of the hit series “Kommissarin Lucas” garnered a market share of 21.3% when broadcast on ZDF.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2020	Jan. 01 to Sept. 30, 2019	Change
Segment sales	162.6	223.1	-27.1%
Segment earnings	12.6	9.4	33.2%

Although segment expenses were reduced significantly, down CHF 82.3 million or 28.4 % to CHF 208.1 million, lower segment sales were reflected in segment earnings. Other segment income, which is largely influenced by capitalized film production costs, was also down by CHF 18.7 million year-on-year at CHF 58.1 million (previous year: CHF 76.7 million). Both developments reflect the lower production volume at present compared to the first nine months of 2019, primarily due to the COVID-19 pandemic.

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

The focus of the TEAM Group in the third quarter of 2020 has been on finalising the 2019/20 UEFA Champions League and UEFA Europa League seasons. TEAM Group provided support to both media and sponsor partners in delivering and activating their respective rights in relation to the Final 8 tournaments. As a result, despite the impact of the Covid-19 pandemic, both competitions were able to reach a successful conclusion at the end of August. In parallel, TEAM’s legal team commenced the

compensation process and started to hold negotiations with the competition partners. The results to date have been very positive.

Furthermore, in the third quarter of 2020, TEAM Group resumed the sale of commercial rights for the UEFA Champions League, the UEFA Europa League and the UEFA Europa Conference League for the 2021/22 - 2023/24 cycle.

In Highlight Event AG's event marketing operations, the Vienna Philharmonic's Summer Night Concert (Open Air in Schönbrunn) was successfully staged under challenging conditions in the third quarter, thereby fulfilling all the Vienna Philharmonic's major media and sponsorship agreements in 2020. The planned sponsor events in conjunction with concerts in Beijing, China, had to be postponed indefinitely. Alternative concerts in Europe in the coming year are therefore planned in order to fulfill contracts, including in Florence, Copenhagen and Cologne. Also, intensive preparations are underway for the 2021 New Year's Day Concert, which will be adapted to the given circumstances (focus on TV). In particular, the number of audience members permitted to attend is unclear. As for the 2021 Eurovision Song Contest, Highlight Event's core focus in the third and fourth quarter is on selling further sponsorship packages (in addition to the main sponsor deal already in place). With circumstances as they currently are, it seems unlikely that the event will be canceled again as various scenarios have already been devised and confirmed (including producing the show for TV only).

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2020	Jan. 01 to Sept. 30, 2019	Change
Segment sales	46.9	48.8	-3.9%
Segment earnings	22.3	24.3	-8.4%

The slight decrease in the external sales of the Sport- and Event-Marketing segment essentially reflects currency effects. At the same time, other segment income decreased while amortization rose and segment expenses remained roughly on par with the previous year. Segment earnings declined accordingly as a result.

Operational and economic development of the Sports segment

SPORT1's program portfolio further extended in the third quarter of 2020, adding "AvD Motorsport Magazin" on the recently launched Sunday evening motorsports, in football the test match summer in cooperation with Match IQ, second division highlights on Friday and Sunday evening and the interactive live show "WNTT – WE NEED TO TALK" in new Monday evening football, and the Rocket League Championship Series (RLCS) and horse racing in e-sports. In time for the start of the new season, SPORT1 Business and MAGIC SPORTS MEDIA comprehensively marketed the football environments on SPORT1. Furthermore, Sport1 GmbH and rtv media group embarked on a new cooperation to launch the sports supplement "Fussball & Familie" with a planned circulation of around 500,000 copies as newspaper inserts from 2021. In addition to other productions and events, PLAZAMEDIA staged the final of the World Boxing Super Series at the Ismaning event location ziegelei101 in the third quarter. Due to COVID-19, this took place without spectators.

Free TV market share among viewers over the age of three and in the core target group of 14- to 59-year-old men was down by 0.4% and 0.7% respectively year-on-year owing to the impact of the COVID-19 pandemic on sports, i.e. the postponement of leagues and competitions, such as the late start of the Bundesliga season. As of September 30, 2020, SPORT1+ had 2.26 million pay TV subscribers (September 30, 2019: 2.33 million) and eSPORTS1 1.14 million (September 30, 2019: 1.14 million).

In online and mobile, visits were down by around 20% on the previous year's level in the period from July to September 2020 due to the cancellation or postponement of sporting events, though declines were significantly less pronounced than in the second quarter of 2020. The number of unique users was even up by almost 10% as against the third quarter of 2019 in the reporting quarter. The rise in mobile users was also helped by the good search engine positioning, which also had a good impact on visits.

Video views on the SPORT1 platforms (down 15 %) and YouTube (down 8%) were lower than in the previous year in the third quarter of 2020 on account of the coronavirus, though falling numbers were kept in check by the mobile livestream campaigns.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2020	Jan. 01 to Sept. 30, 2019	Change
Segment sales	62.4	81.9	-23.8%
Segment earnings	-10.5	-9.6	n/a

Sales in the Sports segment declined by CHF 19.5 million year on year to CHF 62.4 million. The substantial decline in segment expenses of CHF 21.7 million to CHF 77.3 million partly offset this development, leaving segment earnings only slightly below the previous year figure at CHF -10.5 million.

Report on risks and opportunities

COVID-19 has again continued to spread around the world in the third quarter of 2020. Given this development, the Board of Directors is not currently able to issue an updated forecast for fiscal 2020 that takes COVID-19 into account as of this date. In view of the ongoing nature of the situation, the extent of the overall impact on our business in 2020 cannot be reliably quantified at this time. It is uncertain how business will be affected as the year progresses. The outlook for fiscal 2020 as described in this report could change depending on the further developments in connection with the COVID-19 outbreak. The Board of Directors is monitoring the situation and has already taken the appropriate action.

A detailed description of the risk management system and the risk and opportunity profile can be found in the management report in our 2019 annual report.

Forecast

In theatrical distribution, five movies films are currently – uncertain due to the pandemic – expected to be released in German theaters in the fourth quarter of 2020: “Dragon Rider” (based on the book by Cornelia Funke) and “Ostwind 5 – Der große Orkan” – the next installment in the popular series of horse stories, “Kaiserschmarrndrama” (another adaptation of one of Rita Falk’s books), “Monster Hunter” (starring Milla Jovovich) and “Contra” (a film by Soenke Wortmann starring Christoph Maria Herbst and Nilam Farooq).

In home entertainment, the Constantin in-house production “Das geheime Leben der Bäume”, the TV event production “Gott” and the licensed titles “Le meilleur reste à venir”, “Play”, “Waiting for the Barbarians” and “Inheritance” are due to be released by the end of the year.

In license trading/TV exploitation, the start of the licenses for “Fünf Freunde und das Tal der Dinosaurier” and “Verpiss Dich Schneewittchen” (both ProSieben) in free TV and “Die drei !!!” and “Das perfekte Geheimnis” in pay TV (both PPC, Sky) are planned for the period from October to December 2020.

In theatrical production, shooting is currently expected to begin on two movies in the fourth quarter of 2020: “Resident Reboot” and “Zwischen uns” (a story about a mother living with her autistic son).

Constantin Film subsidiaries are preparing a number of projects in TV service production before the end of 2020, including further episodes of the daily “Dahoam is Dahoam” (Bayerischer Rundfunk), the series “Der Palast” (ZDF), the TV movie “Wannseekonferenz” (ZDF), the series of the TV movie “Mein Freund das Ekel” (ZDF) and the third 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 2020. The sales results to date show that TEAM Group is on track to meet sales projections, despite the difficulties caused by the COVID-19 pandemic. Furthermore, TEAM will focus on delivering a successful start to the delayed 2020/21 season, the last season of the current cycle.

Highlight Event’s event marketing will mainly focus on selling further sponsorship packages for the 2021 Eurovision Song Contest and the preparations for the Vienna Philharmonic Orchestra’s 2021 New Year’s Day Concert (including developing a hospitality concept suited to the given circumstances).

The Sports segment will focus on the systematic use, distribution and capitalization of multimedia content in fiscal 2020 as well. In addition to augmenting the SPORT1 portfolio by acquiring new rights, extending existing partnerships and developing new content cooperations and business areas, cross-platform exploitation and production of established pillars of programming also remain central. In particular, these include the core sports of football, motorsports, ice hockey, basketball, volleyball, darts, tennis, US sports and e-sports. With a view to the challenges arising from the COVID-19 pandemic, the aim in the Sports segment is to mainly compensate for the loss in sales caused by the decline in advertising revenue with savings, for example in license and manufacturing costs. With regard to sales potential, marketing activities will increasingly involve contacting companies that could benefit from the current situation on account of their business model.

Events after the balance sheet date

Current developments regarding the spread of the coronavirus mean that planning is subject to significantly higher uncertainties. The only way to reduce these is to regularly review the underlying forecasting assumptions. This process is currently underway and aims to quantify the effects and impact on the Highlight Group's financial statements as soon as possible.

Two Constantin Film Verleih GmbH films, both in the cinema exploitation phase, are directly affected by the lockdown at present. The first of these is "After We Collided", which enjoyed a very successful release on September 3, 2020 and had been seen by more than 920,000 people in Germany alone by October 26, 2020. The second film is "Dragon Rider", released in theaters on October 15, 2020. It has so far (October 26, 2020) been viewed by around 174,000 people in Germany.

Further cinema releases planned for this year included "Kaiserschmarrndrama" (November 12), "Monster Hunter" (December 3), "Ostwind – Der große Orkan" (December 17) and "Contra" on December 23, 2020. It is currently unclear under what conditions movie theaters will be able to reopen from the start of December. Constantin Film will respond flexibly in terms of deciding and announcing changes or new launch dates for films planned for 2020.

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.

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