



Highlight

Highlight Communications AG



3Q 2022

QUARTERLY STATEMENT as of September 30, 2022

Significantly positive sales development at the Highlight Group

- Consolidated sales increased by 24.4% to CHF 386.1 million year-on-year.
- EBIT amounts to CHF 1.0 million.
- The equity ratio was 28.1% as of September 30, 2022 (December 31, 2021: 29.1%).

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2022	Jan. 01 to Sept. 30, 2021	Change
Sales	386.1	310.4	24.4%
EBIT	1.0	12.4	n/a
Net profit for the period	-12.0	2.3	n/a
Net profit attributable to shareholders	-12.3	2.1	n/a
Earnings per share (in CHF)	-0.22	0.04	n/a

The increase in sales resulted from high sales in the Film segment.

The increase in sales in the Film segment reflects the positive development in TV service productions; in addition, due to the openings of theaters - with the withdrawal of COVID-19 requirements - increased sales were recorded in theatrical distribution.

Group operating expenses increased by CHF 28.7 million to CHF 438.3 million as a result of production. The main reason for this was the increased cost of materials and licenses, while personnel expenses were below the previous year's level.

As a result, EBIT amounted to CHF 1.0 million (previous year CHF 12.4 million) and the net result for the period was CHF -12.0 million, compared with CHF 2.3 million in the previous year.

Net assets and financial position (in CHF million)

	Sept. 30, 2022	December 31, 2021	Change
Balance sheet total	605.9	674.5	-10.2%
Equity	170.3	196.1	-13.2%
Equity ratio (in %)	28.1	29.1	-1.0 points
Current financial liabilities	106.0	190.6	-44.4%
Cash and cash equivalents	29.5	48.3	-39.0%

Non-current assets decreased by CHF 21.9 million to CHF 370.1 million, below the year-end 2021 level. The decrease in the value of film assets by CHF 15.9 million to CHF 111.2 million resulted from a decrease in third-party productions and in-house productions compared to year-end 2021.

Current assets decreased by CHF 46.7 million to CHF 235.9 million, with decreases in cash and cash equivalents of CHF 18.8 million and in inventories of CHF 58.4 million being offset by an increase in trade and other receivables of CHF 28.2 million.

Equity decreased by 13.2% to CHF 170.3 million compared with the end of 2021 at CHF 196.1 million.

Operational and economic development of the Film segment

Preliminary remark

The “Default Fund” of EUR 50 million for safeguarding film productions that was launched by the German federal government (to cover losses that arise in Germany as a result of production disruptions due to COVID-19 in the risk phase, i.e. in the last four weeks of preproduction and during the original filming) has been extended until March 31, 2023.

This support benefits theatrical movie productions and “high-quality series productions.”

The “Default Fund II” for TV and streaming productions that was launched by the German federal states and TV stations (to provide production companies with financial support for the duration of filming if they incur financial losses as a result of coronavirus-related disruptions to production that are not covered by their standard insurance) expired as of June 30, 2022. Some of the federal states participating in the Default Fund II, including Bavaria, have announced an extension. The share of the extending states could then also be safeguarded retroactively as of July 1, 2022.

In addition to the still uncertain Covid19 situation, rising inflation is having an impact on consumer behavior in the theatrical area. Therefore, it is only possible to make statements on the future development of the individual Constantin exploitation segments for a more or less short, manageable period of time, which are not reliable in the medium term, as no comparative values exist for this situation.

Theatrical production - The movie theater market in Germany has not yet reached the level from before the coronavirus (2019). At best, it will reach 70% compared to 2019.

Currently, many productions are being made that were reduced and postponed during the lock-down. This results in an increased offers for crew and talent, which causes the fees to increase significantly. Accordingly, production and marketing costs will also increase due to inflation.

The market volatility could be observed internationally, too; August was the weakest month on the US market since movie theater statistics were first recorded. Russia and China are two big markets where sales/exploitation are now very difficult or even impossible.

Major movie theater chains (e.g. Cineworld US: Chapter 11) are also weakening, due to too few blockbusters and the general decline in attendance.

On the other hand, new exploiters also open up new opportunities. The increased prices of movie tickets can partially offset the general increase in costs.

Theatrical distribution - The movies “Liebesdings,” “Guglhupfgeschwader,” “After Ever Happy,” and “Freibad” were released in the reporting period. “Guglhupfgeschwader” was released in German movie theaters on August 4, 2022, and recorded the most successful opening weekend for an Eberhofer movie and the most successful opening weekend to date for a German movie since the pandemic. As of the reporting date, more than 1.3 million viewers have watched “Guglhupfgeschwader” at movie theaters.

Home entertainment - As a result of theatrical release dates having to be postponed in the previous year due to the coronavirus pandemic, no theatrical productions were released in home entertainment distribution in the third quarter of 2022. The positive overall results were driven to a large extent by the sales figures in both physical and digital formats for the movies “Contra,” “Resident Evil – Welcome to Raccoon City,” and the “After” series, which were released in the first half of 2022. In digital distribution, very good results were achieved by the theatrical hits “Contra” with 200,000 digital transactions and “Resident Evil – Welcome to Raccoon City” with 150,000 transactions, as well as by the “After” series.

License trading/TV exploitation - Licenses started for the theatrical movies “Das perfekte Geheimnis” (ProSieben) on free TV and “After We Fell” (Sky) on pay TV (PPC).

TV service production - In the third quarter, filming began on the series “Die drei Ausrufezeichen” (Westside Filmproduktion), the second season of “Wendehammer” (Moovie) and the in-house production of the theatrical movie and the TV series “Hagen” (Constantin Film Produktion and Constantin Television).

The third quarter of 2022 also saw the release of the local cultural documentary “Schickeria – als München noch sexy war” by Constantin Dokumentation (Constantin Entertainment), which reached second place in the Prime Video rankings in Germany for two weeks following its release on August 19, 2022.

Several TV service productions achieved double-digit percentage market shares in the third quarter of 2022. The Hager Moss production “Hartwig Seeler – Im Labyrinth der Rache” performed well on ARD on September 17, 2022, with 5.9 million viewers aged 3 and over, representing a strong overall market share of 23.4%.

The first two episodes of the Moovie production “Lauchhammer – Tod in der Lausitz” on ARD on September 28, 2022 were a resounding success: With 5.6 million viewers (21.7% market share) for the first part and 4.8 million viewers (19.4% market share) for the second part, it was the most-watched program of the day after the main edition of the news program Tagesschau. The start of the series on ARTE on September 8, 2022 had already been watched by an audience averaging 813,000. On top of this, there were the viewers who chose to watch the series in the ARD and ARTE media libraries, with 2 million views in the ARD media library and 800,000 in the ARTE media library within a few days.

The daily show “Dahoam is Dahoam” from Dahoam Television, which has already racked up more than 3,000 episodes, drew an average of almost 700,000 viewers per episode in the overall German market in the reporting period.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2022	Jan. 01 to Sept. 30, 2021	Change
Segment sales	272.1	183.4	48.4%
Segment earnings	12.2	10.0	22.6%

Although segment expenses increased by CHF 27.6 million or 9.8 % to CHF 308.6 million in the reporting period due to production factors, the segment earnings were higher than in the previous year due to higher segment sales in TV service productions.

Operational and economic development of the Sports and Event segment

The Board of Directors of the Highlight Group has decided to report the Sports (Group company Sport 1 Medien AG) and Sports- and Event-Marketing (Group companies TEAM Group & Highlight Event AG) segments in the sports and Event segment as of January 1, 2022.

In the third quarter of 2022, TEAM signed Turkish Airlines as a sponsor for the UEFA Champions League, replacing Gazprom, on a one year deal for the 2022-2023 season, with the option to extend for an additional year.

Additionally, TEAM started the 2024-27 sales cycle with positive results for the markets of France and the United Kingdom.

In the third quarter, Highlight Event AG focused on the event reviews for the Eurovision Song Contest 2022 and the Summer Night Concert 2022 with the commercial partners and sponsors. It also started the sales process for the sponsorship rights for the Eurovision Song Contest 2023. With regard to the Vienna Philharmonic Orchestra, negotiations for sponsor events in the coming years, including in Japan and the US, were begun.

Sport 1 GmbH expanded its program portfolio with several new formats in the third quarter: At the start of the Bundesliga season, SPORT1 launched the format “Bundesliga History” with big moments from the soccer league’s history. With “Rudi Brückner – Der Talk am Montag,” the former “Doppelpass” presenter also made a comeback on SPORT1. Alongside soccer, one of the programming highlights was the World Games 2022 in July, the biggest summer sports event of the year, which was covered with over 100 hours of reporting. The World Games 2022, which took place in Birmingham in the US state of Alabama from July 7 to July 17, 2022, is the biggest summer sports event of this year. At the eleventh edition of the multi-sport event, 3,600 athletes from 110 nations competed in 34 sports for more than 600 medals. Germany entered the World Games with the second-largest contingent of all participating countries - a total of 320 German athletes.

SPORT1 continued its motorsports and mobility format campaign in August with the launch of “Eastside Motors,” after “Triebwerk – Das Automagazin mit Tim Schrick” and “Car Maniac” had already begun in June and July. For “Car Maniac,” Germany’s first TV magazine about electric mobility, the marketing unit SPORT1 Business gained the charging station operator IONITY as a co-presenter. SPORT1 Business is also continuing its partnership with STAHLWERK Schweißgeräte GmbH, which further expanded its commitment as the title sponsor for “Doppelpass” at the start of the season. For Germany’s No. 1 soccer

talk show, a cooperation has been agreed with Das Örtliche as the official partner of the DFB referees and the new sponsor of the section “Da fragen wir doch mal den Schiri!”

With regard to its market shares on free TV in the third quarter, SPORT1 reached a share of 0.5% among viewers aged three and over and 0.8% in the core target group of men aged 14 to 59, and was thus at the level of the same quarter of the previous year.

The pay TV broadcaster SPORT1+ had around 1.84 million subscribers in total as of September 30, 2022 (September 30, 2021: 2.31 million). eSPORTS1 had around 2.09 million subscribers as of September 30, 2022 (September 30, 2021: 2.10 million). The lower subscriber figures compared to the previous year are the result of adjustments in reporting by the pay TV platform partner, which in contrast to 2021 partly no longer includes pay TV subscribers of the SD station packages in its reporting,

In terms of digital content, visits increased by 11% and video views on the SPORT1 platforms rose by 12% in the third quarter of 2022 compared with the same period of the previous year. The upturn in the number of visits is due to significantly improved visibility via search engines and social media channels. The higher number of visits also resulted in greater use of the platforms in terms of videos. On YouTube, video views were up 41% year-on-year in the quarter under review – primarily due to the content strategy of a shift toward YouTube Shorts (short videos).

Announced at the leading international trade show IBC (International Broadcast Convention), PLAZAMEDIA's new Extended Reality (XR) LED Studio will be available from November at the company's headquarters in AGROB Medienpark in Ismaning, offering a wide range of possibilities for innovative and sustainably realized productions - through a mix of real and virtual studio elements. With XR technology, PLAZAMEDIA offers media and production companies as well as advertisers the chance to stage their brands in an innovative and resource-saving way. From broadcast/TV and film to corporate productions such as commercials or photo shoots, on-site, hybrid and virtual events as well as presentations and training courses, the novel XR LED Studio offers almost unlimited possibilities to create new worlds with the flexible production options and to individually design the respective brand presence. PLAZAMEDIA has further expanded its cooperation with Bayerischer Rundfunk, which already comprised selected cookery formats, and since September has been producing the weekly magazine show “quer” for BR.

The other Sport1 Medien AG Group companies also focused on maintaining and expanding new and existing partner and customer relationships in the quarter under review.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2022	Jan. 01 to Sept. 30, 2021 (Restated) ¹	Change
Segment sales	114.0	127.0	-10.3%
Segment earnings	-6.5	6.9	n/a

At CHF 114.0 million, external sales of the Sport and Event segment were 10.3% below the previous year's level.

Other segment income increased by CHF 0.4 million to CHF 4.6 million while segment expenses rose by CHF 2.7 million to CHF 127.3 million, resulting in an overall segment result of CHF -6.5 million, a decrease of CHF 13.4 million compared to the same quarter of the previous year.

¹ For better comparability, the previous year's figures for the Sports and Sports- and Event-Marketing segments have been adjusted.

Report on risks and opportunities

There were no changes in the Highlight Group's risks and opportunities in the third quarter of 2022. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report of our 2021 annual report.

Forecast

As a result of the inflation triggered to a large extent by the war in Ukraine and the associated wait-and-see and falling consumer sentiment, tangible effects on the business areas are to be expected in the long term, which cannot yet be estimated.

Film Segment

The fourth quarter saw the release of "Der Nachname" on October 20, 2022, a sequel to the hit movie "Der Vorname," which had attracted an audience of over 1.1 million in Germany following its release on October 18, 2018.

In home entertainment exploitation, which includes digital and physical sales, we continue to anticipate good digital sales figures for our new releases and catalog products.

For physical business with the sale of audiovisual storage media, a difficult environment is expected due to declining consumer behavior.

With the theatrical productions "Stasikomödie," "Mia & Me – The Hero of Centopia," and the Anika Decker comedy "Liebesdings" starring Elyas M'Barek, some promising productions are available in home entertainment sales in the fourth quarter of 2022.

In the fourth quarter of this year, the free-TV area of the license trading/TV exploitation business area will be dominated by sales from the theatrical movie "After We Collided." The pay TV (PPC) licenses for "Contra," "Ostwind – der große Orkan," and "Resident Evil – Welcome to Raccoon City" will begin in the fourth quarter.

Sports and Event segment

In the next quarter, TEAM will focus on ramping up media and sponsorship sales for the 2024-27 cycle, launching media rights tenders in a number of key markets, such as DACH.

Furthermore, TEAM will support UEFA and its partners in delivering a successful group stage of the current season, as well as supporting the draw and calendar creation for the Round of 16 and Knockout Round Play-Offs.

The outlook for Highlight Event AG's projects remains positive and optimistic. The sales activities for the Eurovision Song Contest 2023 in Liverpool, UK, have got off to a very successful start. The new host country – one of the top 5 markets – promises smooth organizational implementation. With regard to the Vienna Philharmonic Orchestra project, the main focus is on involving and fulfilling the media and sponsorship rights for the New Year's Day Concert 2023.

In fiscal 2022, Sport1 will again focus on the systematic use of multimedia content. In addition to augmenting the SPORT 1 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 soccer, darts, motorsports, ice hockey, basketball, volleyball, US sports and e-sports. Furthermore, the digital diversification of the SPORT 1 brand will continue to be promoted and new content and marketing environments will be created in view of the continued massive growth in the digital and cross-platform use of media content – for example, using the Bundesliga and Bundesliga 2 highlight and archive clips acquired in the DFL rights tender for exploitation on digital platforms.

In addition to complex live and non-live productions, PLAZAMEDIA will continue to focus on developing innovative production technologies, content management solutions and technical content distribution in 2022. The main priorities for sports at the other subsidiaries of Sport1 Medien AG will also be maintaining and expanding existing customer relationships and developing new ones. There will be a particular focus on making the best possible use of synergies in the sports sector, where the subsidiaries cover the entire value chain and accordingly provide integrated services for partners and customers.

Events after the balance sheet date

The current inflation is triggering a decline in consumer spending and may lead to noticeable effects on our business areas. The Board of Directors has initiated appropriate measures and is monitoring the current situation. The U.S. Office of Foreign Assets (OFAC) has imposed sanctions on the member of the Board of Directors Alexander Studhalter; in order to protect the interests, he therefore resigned from all directorships within the Highlight Group as of November 15, 2022.

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. If one or more of these risks or uncertainties materializes, or if underlying expectations do 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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